Financial Consumer Agency of Canada

Agence de la consommation en matière financière du Canada

annual report

07–08

Canada

Our mission

The Financial Consumer Agency of Canada (FCAC) is committed to improving Canada's financial marketplace by:

- supervising financial institutions efficiently and effectively with respect to meeting their obligations to consumers; and
- providing information that enables consumers to understand their rights and make informed financial decisions.

FCAC offers a variety of publications, information and interactive tools for consumers.

Web site ..... **fcac.gc.ca**

Telephone (toll-free) 1-866-461-FCAC (3222)
(Consumer Contact Centre)
From the Ottawa area or
from outside Canada: 613-996-5454

TTY (toll-free) 1-866-914-6097
(For persons with hearing impairment)
From the Ottawa area or from
outside Canada: 613-947-7771

Fax (toll-free) 1-866-814-2224
From the Ottawa area or
from outside Canada: 613-941-1436

E-mail .....info@fcac.gc.ca

Postal address
Financial Consumer Agency of Canada
Enterprise Building, 6th Floor
427 Laurier Avenue West
Ottawa, Ontario K1R 1B9

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Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Enterprise Building
427 Laurier Avenue West
Ottawa, ON K1R 1B9

October 1, 2008

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister:

I am pleased to submit to you the annual report of the Financial Consumer Agency of Canada for the period April 1, 2007 to March 31, 2008, its sixth full year of operation.

Sincerely yours,

Ursula Menke

Ursula Menke
Commissioner

Letter from the Commissioner

As the new Commissioner of the Financial Consumer Agency of Canada, I am pleased to have this opportunity to look back on what we have achieved and also look at what lies ahead for the Agency.

I was appointed Commissioner in December 2007, when the past fiscal year was more than half over. Nevertheless I can say that in 2007–08 we built further on our successes in compliance and consumer education. On the regulatory side, we continued to focus on issues that would bring the most benefit to the greatest number of Canadians. At the same time we found that the financial industry was generally meeting its commitments and obligations. In consumer education, we carried on the initiatives that have proven so effective since the Agency was established in 2001—including consumer publications, community outreach and partnership development.

These are all highly valuable undertakings, and as always we will pursue them with vigour. But I am convinced that the greatest need now is to promote financial literacy. Providing training in financial literacy is essential for the Agency to carry out its mandate.

Being financially literate can make a major difference to Canadians in their everyday lives. This has been recognized by the Government of Canada through its two-year funding of FCAC's new Financial Literacy initiative. That timely investment has allowed us to work on several vital projects. An example is our partnership with the British Columbia Securities Commission to develop *The City: A Financial Life Skills Resource*. Launched in September 2008, this Web-based tool will help young Canadians aged 15 to 18 acquire strong financial skills. We believe that the initial focus on youth is important since many young people have their first experience of paid work in these years. They need to become financially literate as soon as possible and the knowledge gained in these early years will tend to stay with them for life.

The City, however, is only the beginning of a much broader initiative that will eventually provide financial literacy training to many groups. A network of partnerships will be essential for delivering training to the Canadians who need it most. Discussions are under way with potential partners, including educators, community organizations and other institutions.

Our financial literacy work has involved national as well as international outreach. In 2007–08 we devoted efforts to organizing the Canadian Conference on Financial Literacy. Held in Montréal in September 2008, the event drew financial literacy experts and organizations from across Canada and around the world.

In many ways the past year has marked a quiet transition for the Agency. We have consolidated the efforts of previous years and begun to build for the future. Our work in compliance and education has provided a secure foundation for building Canadians' financial literacy in the long term. That, I believe, is the crucial next step in achieving the goals of our mandate.

Ursula Menke
Commissioner

Informing and protecting consumers

The year in review

Since its creation in 2001, the Financial Consumer Agency of Canada (FCAC) has worked to ensure that all Canadian consumers have the tools they need to access a competitive and equitable financial marketplace. We offer objective, reliable information that people can use when making financial decisions, and we oversee the laws and regulations that protect the interests of consumers in their dealings with financial institutions.

Creating a better financial marketplace

Every year, tens of thousands of Canadians contact FCAC to ask questions, request information and find assistance. Our direct contact with consumers gives us a unique insight into their needs and concerns, helps us develop our educational resources, and provides input into our enforcement activities.

Our work affects the daily lives of all Canadians by helping them obtain clear, complete information about the financial products and services available to them. To ensure that financial institutions meet their obligations to consumers, we oversee how those institutions comply with consumer-focused provisions in the legislation and regulations to which they are subject. In this way, FCAC strengthens the competitive marketplace for all players, and enables consumers to make appropriate decisions based on an understanding of their rights, responsibilities and options.

In 2007–08, we continued to build on our growing strength and experience as a trusted source of objective consumer information and a regulator in Canada's financial marketplace. We consolidated the progress we have already made toward accomplishing our mandate, and continued to work with old and new partners in the private, public and not-for-profit sectors. In a particularly important initiative, we began to extend our work in the area of financial literacy.

Informing Canadians

To deliver our consumer resources, FCAC uses a wide range of tools. These include our Web site, media presence and numerous partnerships that help us reach out to target groups.

During 2007–08, we continued to develop new publications on topics such as savings accounts and their benefits, and service fees on credit card transactions. We continued to provide interactive Web tools that consumers can use to compare products such as bank accounts and credit cards. We also added to our range of tip sheets for consumers and our Frequently Asked Questions database.

Demand is growing for FCAC's services and information. Including print copies and electronic downloads, we delivered 1.7 million publications to Canadians last year—more than double the number in 2006–07. Our Web site received more than 1.6 million visits during the year, or an average of more than 4,500 visits a day. This represented an increase of 15 percent over 2006–07.

The most important of FCAC's new activities in 2007–08 was our Financial Literacy initiative. The program is designed to help Canadians improve their ability to understand, analyze and use information about financial decisions in

day-to-day life. Our first priority in developing the program is to give Canadian youth the financial skills they need to succeed in adult life. To achieve this we are working with partners such as the British Columbia Securities Commission, the Investor Education Fund, and Social and Enterprise Development Innovations.

Partnerships were a key factor in many of FCAC's educational and outreach activities during 2007–08. With MasterCard and Éducaloi, we continued developing a plain-language credit card application. As a result of our long-standing relationships with the Canada Revenue Agency (CRA) and Human Resources and Social Development Canada, FCAC information pamphlets were included in mailings of government cheques. We participated once again in the CRA's Community Volunteer Income Tax Program. We worked as well with Agriculture and Agri-Food Canada to distribute our publications to Canadians living outside urban centres.

Protecting the interests of consumers

Through its Compliance and Enforcement Branch, FCAC protects the rights and interests of consumers. The Branch supervises and enforces the laws, regulations, voluntary codes and public commitments that govern Canada's federally regulated financial institutions. Our activities make a difference in terms of market practices and conduct. A single compliance case may lead to changes that help thousands or even millions of Canadians.

During 2007–08, we continued to refine our compliance process by improving our complaint screening and case management tools. The changes help us better identify the compliance cases that will have most impact on consumers and the marketplace. We identified the Canadian Code of Practice for Consumer Debit Card Services (the "debit card code") as a monitoring priority for 2007–08, and began a broad review to determine how well financial institutions were implementing and adhering to the code.

Looking ahead

FCAC will continue to foster financial literacy among Canadians. We will again concentrate on the youth audience but will also design our work to reach the general public. We will maintain our commitment to promoting consumer education, encouraging the use of plain language in the marketplace, creating and refining publications and tools, and monitoring Canada's financial institutions. Together with current and new partners, we will develop and share educational materials that can be used across the country.

As part of our ongoing efforts to refine and update our compliance monitoring, we will undertake a comprehensive review of our compliance framework. The aim is to keep the framework current and responsive to changes in Canada's financial services marketplace and in consumer needs.

Finally, we will continue working to make FCAC and its services better known to all Canadians.

Financial literacy

In 2007–08, we began developing a new Financial Literacy initiative to help young Canadians understand how to manage their financial affairs more effectively. In its March 2007 budget, the Government of Canada

announced $3 million in funding to support the creation and delivery of the program during 2007–09. The federal commitment recognizes the importance of financial literacy to Canadians, and contributes to the well-being of Canada's society and economy.

Why financial literacy?

Three key reasons underlie the importance of financial literacy to consumers and the Canadian marketplace:

- **Financial knowledge and comprehension.** Consumers need to understand money and credit, and how they are used. With this understanding, they can make the right choices in their everyday financial affairs.

- **Financial skills and competence.** Consumers need to be able to apply their financial knowledge in many contexts, including situations in which they face either financial problems or financial opportunities.

- **More level playing field.** Consumers need financial literacy skills to become more effective participants in the marketplace. This in turn will strengthen the Canadian financial industry by making it more efficient and competitive.

As a starting point for this program, FCAC's 2007–09 business plan outlines two key goals for the Financial Literacy initiative:

- **Engaging consumers.** We will extend, enhance and promote national initiatives that engage consumers of financial services, and enable them to make better decisions by improving their financial knowledge and understanding.

- **Engaging the industry.** We will engage key industry players, including existing providers of financial information and educational materials, to build financial literacy among Canadians.

Partnerships have played a crucial role in helping FCAC work toward these goals, and will continue to do so. As part of our commitment to promoting best practices in this area, in 2007–08 we held extensive discussions with other institutions. Our aim was to identify possible areas of collaboration and support. The discussions led to several initiatives, the most important of which are directed at Canadian youth.

Financial education for young people

FCAC is focusing its financial education agenda on the needs of younger Canadians. To lay the groundwork, in 2007–08 we surveyed existing resources and programs, and formed partnerships with other institutions. With this input we proceeded to create a youth-oriented curriculum and other key initiatives. They include the following projects.

The City: A Financial Life Skills Resource

FCAC joined with the British Columbia Securities Commission (BCSC) to develop *The City: A Financial Life Skills Resource*. This free Web-based interactive tool is designed to help young Canadians acquire strong financial skills. *The City* is based on a BCSC-created program currently used in high schools throughout

British Columbia. The resource features an engaging, story-driven approach with a cast of characters at different stages of life. It gives the opportunity to explore financial situations in a risk-free setting. The plan is to disseminate the youth-oriented resource to educators nationwide.

In partnership with the Commission, we reworked the British Columbia program to make it applicable to Canadians everywhere, and converted it to an on-line format. We completed the downloadable classroom content—including worksheets and teacher guides—and identified curriculum matches in all provinces and territories. We also started creating the on-line learning modules, which cover budgeting, banking, credit and many other financial topics.

Launched in fall 2008, *The City* is now available in both official languages through The Money Belt, a financial education Web site (see the following section).

The Money Belt

During 2007–08, we worked on developing The Money Belt—an electronic gateway to a broad range of financial education resources designed for teachers, young people and the general public. This Web portal was launched in summer 2008 at **themoneybelt.gc.ca**. It supports our Financial Literacy initiative and contains links to other financial education programs available across Canada. The Money Belt is intended to be a trusted, accessible source of educational tools for young Canadians, helping them develop financial life skills.

Teacher training modules and workshops

The City is a self-contained, ready-to-use resource for teachers and other educators. We recognized that teachers would play a key role in facilitating wider adoption of *The City*. With this in mind, we developed a teacher training module and a plan for delivering it, either through workshops or electronically via Webcasts and Web conferencing. The workshops use a train-the-trainer model. The goal is to create a group of teacher champions who can promote the resource to their colleagues. At the same time the workshops provide additional support to teachers who feel unprepared to teach the subject matter because they themselves have limited financial knowledge.

Teaching financial literacy in the college classroom

FCAC worked with the Investor Education Fund and George Brown College in Toronto to develop and distribute financial education resources at the post-secondary level. The college undertook to deliver the pilot project free of charge. The first three-hour workshop took place in March 2008, presenting basic financial concepts to college students. Another workshop followed in May and a third is planned for October. The goal is to develop a college-level financial literacy program for marketing to post-secondary institutions across Canada.

Canadian Conference on Financial Literacy

In September 2007, FCAC joined with Social and Enterprise Development Innovations and the Joint Forum of Financial Market Regulators

on a major initiative: organizing a conference for financial literacy experts and organizations from across Canada and around the world. The aim of the event was to share best practices and ideas, promote dialogue, and encourage cooperation. After a year's preparation, the Canadian Conference on Financial Literacy took place in September 2008. Participants included industry representatives, regulators, policy-makers and politicians, as well as international leaders in financial literacy.

Consumer education and public affairs

Informing Canadians

First and foremost, FCAC's Consumer Education and Public Affairs Branch seeks to provide Canadians with the information they need to function effectively in the financial marketplace. To carry out this task, we provide independent, objective information about commonly used financial products and services, and about the way the financial industry should conduct itself when dealing with Canadians.

People have various ways of looking for information or using it. For this reason we offer our publications in print and on our Web site. We distribute and deliver other kinds of information through interactive on-line tools and in person. In every case we try to make our material accessible to a broad audience. Our aim is to ensure that as many Canadians as possible can obtain the financial information they need. At the same time we target more vulnerable consumers, such as people with lower literacy levels and/or lower incomes.

To make Canadians aware of our services and resources, we also work with organizations in the public, private and not-for-profit sectors. These partnerships give us access to extensive consumer networks, enabling us to reach into communities across the country.

Finally, we develop fruitful relationships with the media to help us deliver objective information to a large number of Canadians quickly and cost-effectively. In return, we offer the media a unique insight into how Canadians view the financial products and services they use almost every day.

New consumer information products and tools

Publications

- ***Savings Accounts: Choosing the Right Savings Account for Your Needs***

  We released *Savings Accounts*, a new Web-based guide that explains the benefits of savings accounts, how they work, how they calculate interest and how they protect a consumer's savings. Included in the guide is an on-line, interactive tool that helps consumers choose the best savings account for their needs.

- ***Service Fees on Credit Card Transactions***

  We created a new Web-based publication called *Service Fees on Credit Card Transactions*. Giving examples, the guide explains the various fees that can apply to credit card transactions, how the fees work, how they can be minimized, and how consumers can choose cards that have low fees but still meet their needs.

- **Tip sheets**

  We continued developing plain-language tip sheets on a variety of existing and emerging topics. These short, handy references help people compare financial services and products so that they can make informed financial decisions. Some of our tip sheets deal with topics we have not addressed before. Others summarize the more extensive information found on our Web site.

Web site and interactive tools

- **Common Look and Feel Standards for the Internet**

  In 2006, the Treasury Board of Canada approved the mandatory Common Look and Feel Standards for the Internet. These standards specify a common appearance for most Government of Canada Web sites and provide for greater consistency in the way the sites are used. All existing sites must be converted to the standards by December 31, 2008. During 2007–08, FCAC worked steadily to conform to these standards.

- **FAQ database**

  FCAC continued to expand its Frequently Asked Questions database, which provides answers to the questions that consumers most commonly put to the Agency. The database now has nearly 100 entries dealing with bank accounts, credit cards, credit reports, loans, mortgages, pre-authorized debits, and many other financial products and services.

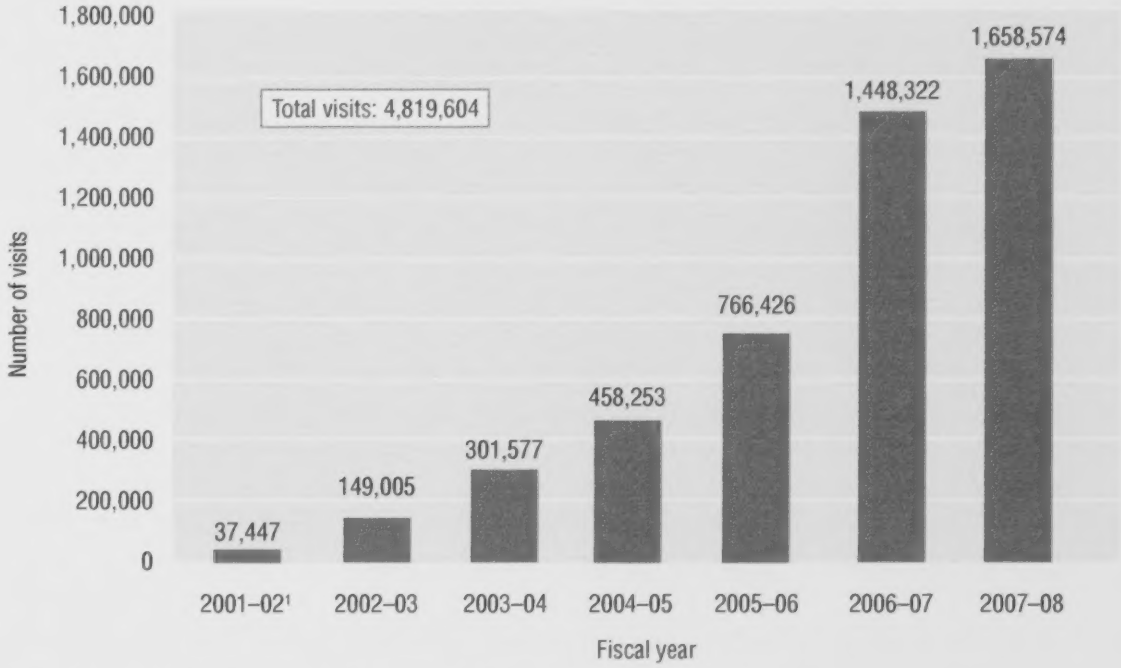
Table 1 shows that our Web site averaged more than 4,500 visits a day in 2007–08, an increase of 15 percent over 2006–07. During the past year, we received more than 1.6 million visits.

Table 1: FCAC Web site usage

	2006–07	2007–08
Number of visits	1,448,322	1,658,574
Average number of visits per day	3,968	4,544
Visits to FCAC quizzes	22,880	34,748
Visits to *Cost of Banking Guide* interactive tool	11,643	8,563
Visits to *Complaint-handling process* search tool	184,872	226,527
Visits to *Credit Cards and You* interactive tool	9,335	14,714

Chart 1 shows that FCAC's Web site has received more than 4.8 million visits since its launch on October 21, 2001. Three million of these visits occurred in the past two years alone. This shows that Canadians are increasingly aware of FCAC and the help we offer.

Chart 1: Total FCAC Web site visits by fiscal year, since launch

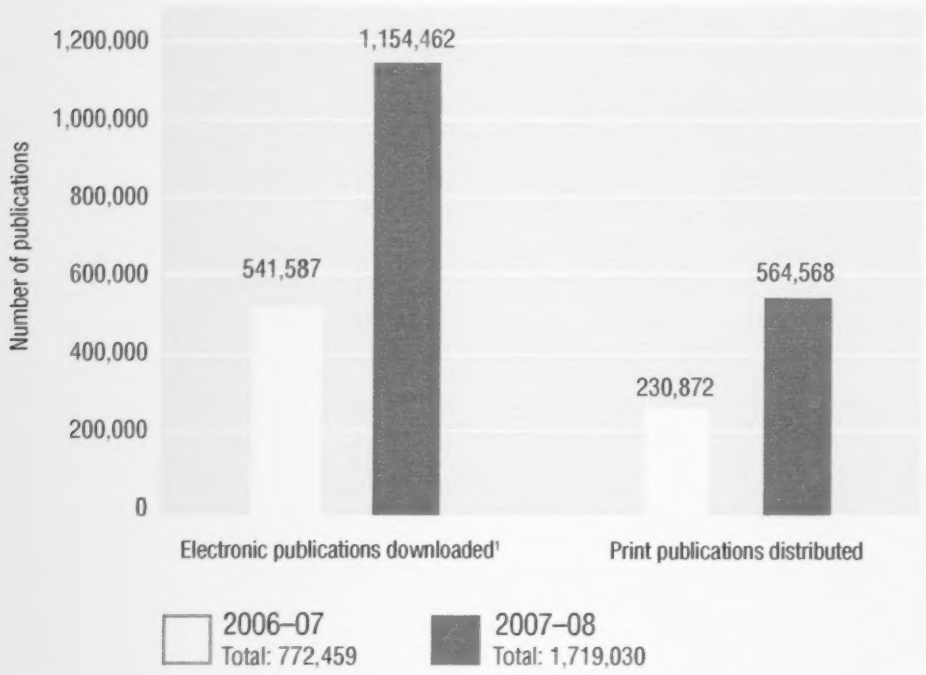


[1] Fiscal year 2001–02 covers the period from the Web site's launch date (October 21, 2001) to March 31, 2002.

Outreach activities

Chart 2 shows the distribution of FCAC publications during the past two years. In 2007–08 we delivered 1.7 million publications in print or electronic form—an increase of 123 percent over the figures for 2006–07.

Chart 2: Distribution of FCAC consumer publications



[1] Includes downloads only of publications for use by the general public.

Federal government partners

- **Cheque inserts**

  With the help of the Canada Revenue Agency, FCAC again was able to distribute its information pamphlets to large numbers of consumers. A total of 5.5 million pamphlets were included in the January 2008 mailing of GST/HST credit cheques and Canada Child Tax Benefit cheques. The pamphlets told consumers about their right to open a bank account or cash a federal government cheque of up to $1,500 for free. As a result of the mailing, 4,065 consumers got in touch with FCAC's Consumer Contact Centre, and people who received the pamphlet ordered 1,365 publications.

  Similarly, Human Resources and Social Development Canada included 1.2 million FCAC information pamphlets in its November 2007 mailing of Old Age

Security and Canada Pension Plan cheques. After the mailing, 495 seniors got in touch with FCAC's Consumer Contact Centre to ask questions and obtain information.

Although more and more Canadians receive government payments via direct deposit, the CRA still sends out 6.1 million cheques by regular mail each year. This shows that there continue to be many Canadians who can benefit from FCAC's cheque insert strategy.

- **Canada Pavilion**

Public Works and Government Services Canada manages the Government of Canada Exhibitions Program, which includes the Canada Pavilion—a travelling showcase featuring different federal departments and agencies. FCAC's regular participation gives us an opportunity to meet face to face with Canadians across the country, tell them about our work and listen to their concerns.

In 2007–08, FCAC participated in four Canada Pavilion events in St. John's, Halifax, Saskatoon and Québec City. We spoke with approximately 15,000 Canadians, and distributed more than 27,000 publications and 14,000 promotional items. Through these contacts, we encouraged consumers to turn to FCAC for help and information. At the same time we received direct input about the concerns and problems that many Canadians have with the financial products and services they use.

- **FCAC in the classroom**

FCAC again participated in the CRA's Teaching Taxes Program, which helps high school and college teachers educate their students about Canada's tax system. Teachers were invited to inform students about FCAC's role in Canada's federal financial market and to use FCAC publications in the classroom. In 2007–08, teachers requested more than 57,000 publications. The information they contain helps students understand a variety of financial products and services, make confident financial choices based on the facts, and know their rights when dealing with financial institutions.

- **Community Volunteer Income Tax Program**

The Canada Revenue Agency works with a network of non-governmental organizations (NGOs) that offer tax clinics to consumers with low incomes. In partnership with the CRA, we provided to clinic staff a specially designed brochure and a publication order form for distribution to clients. The brochure explains consumers' rights when opening a personal bank account, how to cash a Government of Canada cheque for free, why a good credit report is important and how to obtain a report copy free of charge from a credit bureau. It also outlines FCAC's services and products, and ways we can help consumers.

Approximately 1,000 NGOs ordered 50,000 FCAC brochures and publication order forms, which they distributed to consumers during the 2007 tax clinics.

- **Rural events**

  With the help of Agriculture and Agri-Food Canada, we distributed two targeted publications to Canadians living in rural areas. During 2007–08, FCAC was represented at 50 agricultural and rural events, at which we distributed nearly 2,250 Agency publications and 2,500 promotional items.

- **Feature of the Month Program**

  Service Canada selected FCAC for its Feature of the Month Program in March 2008. Under the program, we provided 213,050 publications to Service Canada outlets for distribution to consumers across the country. FCAC was previously selected for the program in 2004 and 2006. Feature of the Month is particularly useful for reaching Canadians who do not have Internet access.

  This is an example of the ongoing partnership between FCAC and Service Canada. We make year-round use of Service Canada's network of outlets to supply financial information and resources to consumers. In 2007–08, Service Canada representatives ordered an additional 35,000 publications from FCAC as a result of this partnership.

Partnerships with private-sector and not-for-profit organizations

- **Plain language**

  Explanations about financial products and services tend to be complex. To meet the needs of Canadian consumers, FCAC must make sure that information is presented clearly and effectively. This is why we use plain language in our publications and have built up our staff's expertise in this area.

  In 2007–08, we continued working with MasterCard on development of a plain-language credit card application for use by issuers of that credit card. In January 2007 we finalized a prototype application. In March 2008, FCAC and MasterCard conducted focus group testing of the application, using eight groups in four different cities across Canada.

- **Train the Trainer Program**

  For organizations and trainers working with new immigrants and other community groups, FCAC's Train the Trainer Program gives an overview of the Canadian financial services industry. The program includes plain-language information on consumers' rights to open a bank account and cash a Government of Canada cheque for free.

  This year, the YMCA of Greater Toronto delivered the program to various groups, using a new DVD and booklet developed by FCAC. The bilingual learning aids ensure consistency in FCAC's messages to Canadians everywhere. The aids will be used by trainers who offer information sessions to vulnerable consumers as well as newcomers to Canada.

- **Credit Education Week**

  In 2007, Credit Canada and Capital One Bank spearheaded a new national initiative called Credit Education Week. They invited

leaders in financial services, consumer advocates, community organizations and various levels of government to participate in a series of events in Toronto in November. The aim was to engage people from all walks of life, raise their awareness of financial issues, and provide them with the tools and resources they need to make informed financial choices.

During the week, FCAC participated in campus fairs at the University of Toronto and York University, as well as in a trade show. The events informed consumers about their rights and responsibilities regarding banking and credit cards, helped them understand how they can manage their finances properly, and increased awareness of FCAC among community leaders and decision-makers.

- **Speakers' Program**

  FCAC's Speakers' Program enables us to reach more Canadians by scheduling public talks for the Commissioner and other members of the Agency. During 2007–08, we arranged for FCAC representatives to speak at various venues:

  - Credit Education Week;
  - the Metro Toronto Convention Centre;
  - the YMCA of Greater Toronto;
  - National Defence and the RCMP;
  - the Association coopérative d'économie familiale (ACEF) du Nord de Montréal; and
  - Logifem Resources Inc. (women's shelter).

- **Distribution of tip sheets to outreach partners**

  We distributed our first series of tip sheets by mail and e-mail to 56 of our outreach partners. About 5,000 FCAC publications were sent out as a result of this initiative.

FCAC on the international scene

In 2003, FCAC helped create the International Forum on Financial Consumer Protection and Education. Agency officials regularly participate in the Forum's annual meetings, where financial market regulators share best practices and common concerns related to consumer protection and education.

The October 2007 meeting of the Forum took place in Hungary. FCAC played a prominent role as our Acting Commissioner spoke on financial capability and literacy, compliance issues, and risk- and principle-based regulation.

Media relations

FCAC considers the media to be a key channel for transmitting financial information to the public and highlighting our role in the financial sector. We have developed a strong and positive relationship with media across the country. As a result, our work was covered in 614 news stories during 2007–08, an increase from 467 the previous year. This translates into a total of approximately 35.7 million media impressions during the year.[1]

FCAC was mentioned in the media most frequently in connection with credit and credit cards, loans, and bank accounts.

[1] Reach/circulation figures were unavailable for 294 of the 614 media mentions. This lessens our ability to accurately estimate the impact of FCAC's media coverage.

- **Media outreach**

  We have continued to build relationships with English- and French-language media, which regularly recommend FCAC resources to consumers looking for help and information about financial matters. Our strong media presence ensures a very wide audience for our messages, and the result has been strong and steady growth in the demand for FCAC products. For example, our Web site received more than 1.6 million visits during 2007–08.

- **Community newspaper articles**

  Part of our media strategy is to build FCAC's presence in the print media of smaller communities. Their papers and journals are widely read and trusted sources of information across the country.

  FCAC produces short articles for delivery to these outlets via the News Canada service, which distributes stories to subscribers. Intended for the general reader, our stories provide tips, advice and information about financial matters, as well as our contact information and references to our Web site resources.

- **Magazine articles**

  Every edition of *Canadian Newcomer Magazine* carries an article from FCAC. Published bimonthly in French and English, this Toronto-based magazine is aimed at people who have recently come to live in Canada. Our goal is to make FCAC and its role better known to this audience.

Compliance and enforcement

Protecting the interests of consumers

FCAC's Compliance and Enforcement Branch oversees the legislation and regulations that protect consumers in their dealings with federally regulated financial institutions, and monitors the industry's compliance with voluntary codes of conduct and public commitments. We investigate consumer complaints using tools such as mystery shopping and annual examinations of financial institutions.

FCAC's regulatory work makes Canada's financial marketplace more transparent, fair and competitive. A single compliance case may lead to industry-wide changes that help thousands or even millions of Canadians.[2]

Selected Commissioner's decisions

FCAC monitors compliance on the part of federally regulated financial institutions and promotes transparency in the financial industry. Its actions ultimately lead to better protection for consumers. The process can be seen in the Agency's handling of cases involving a violation of regulations, or else non-compliance with a code of conduct or a public commitment. Decisions taken by the Commissioner or the Acting Commissioner on such cases are summarized and posted on the FCAC Web site. Following is a sample of representative decisions from 2007–08.

[2] For a step-by-step description of the Agency's case management process, see Appendix G of the FCAC *Compliance Framework*, posted on our Web site under "Reference Documents" in the "For the industry" section.

- **Failure by a bank to issue a written statement setting out the changes it had made to a credit card agreement at least 30 days before the changes came into effect**

  Issue:
  A consumer contacted FCAC regarding a change that her bank had made to the interest rate for cash advances on her new credit card. She had applied for the card to take advantage of a promotional rate for these advances.

  At the time she applied, the bank gave her a brochure that set out the promotional interest rate, as well as the terms and conditions of the offer. The brochure stated that the promotional rate would be in effect for six months after the card was issued, but did not specify the dates on which the offer would come into effect or terminate.

  The consumer received her new credit card and a credit agreement that contained the reduced rate. However, the agreement did not state that the interest rate was a promotional rate. It did not specify whether the rate would be in effect for three or six months, nor what rate would eventually replace this promotional rate. It simply noted that the rate might be changed from time to time and that the cardholder would be informed of any change.

  Three months after the card was issued, the bank changed the reduced promotional rate to the higher, regular rate. It did not inform the consumer in writing at least 30 days before the change came into effect. When FCAC investigated the situation, the Agency found that the bank followed this practice with all its customers in the same situation.

  Outcome:
  The Acting Commissioner found that the bank had violated the *Cost of Borrowing (Banks) Regulations* and imposed a penalty of $25,000. The bank paid the penalty and FCAC closed the file.

  As a result of this decision, the bank made a commitment to change its credit agreement and to include information about both regular and promotional interest rates, as well as the dates on which the rates would take effect. FCAC's action ensured that when credit cardholders sign a credit agreement, they will now be informed of possible variations in the interest rate.

- **Failure by a bank to provide borrowers with periodic supplementary disclosure statements**

  Issue:
  A consumer complained to FCAC that the monthly credit card statements he received from his financial institution did not indicate the interest rate that applied to his account. This contravened the *Cost of Borrowing (Banks) Regulations*, which require federally regulated financial institutions that issue credit cards to provide borrowers with monthly statements specifying:

  - the time period covered by the statement;
  - the interest rate that applies for the billing period; and
  - the amount of credit available at the end of that period.

Outcome:
FCAC's investigation revealed that, in the monthly statements sent by the bank to customers for a particular credit card product, the institution had failed to disclose the time period of the statement, the applicable interest rate and the remaining available credit. The Acting Commissioner issued a Notice of Violation with a proposed penalty of $25,000. The bank paid the penalty and FCAC closed the file.

As a result of this decision, the bank modified its monthly statements to add the missing information. FCAC's action helped correct a situation in which credit cardholders did not receive important information that they were entitled to have about their accounts. Since they now have this information, consumers will be better able to monitor their credit card accounts and make sound financial decisions.

- **Failure to comply with a voluntary code of conduct concerning unauthorized debit card transactions**

Issue:
A consumer complained to FCAC that he was being held financially liable for unauthorized bank transactions made with a debit card he had lost. The consumer told FCAC that he went to the merchant where he thought he had left the card but was unable to retrieve it, and that he reported the lost card to the bank three days after noticing it was missing.

The disputed transactions took place within one day of the loss of the card. The consumer claimed that he had not authorized the transactions and asked the bank to reimburse him for the missing funds. The bank concluded that the pattern and locations of the disputed transactions did not indicate that the card had been stolen, and refused the consumer's request.

Outcome:
FCAC based its investigation on the information provided by the consumer and the bank. The Agency concluded that the bank had not complied with the Canadian Code of Practice for Consumer Debit Card Services, which outlines the obligations of financial institutions to reimburse consumers for losses resulting from unauthorized use of their debit cards. FCAC therefore sent a letter of non-compliance to the bank stating that, on a balance of probabilities, the institution had failed to demonstrate that the consumer contributed to the unauthorized use of his card.

In response, the bank asked for a review of the case by the Acting Commissioner and filed additional information with the Agency. After reviewing the file and taking into consideration the new information from the bank, the Acting Commissioner decided that this case did not show any non-compliance with the code. He determined that, on a balance of probabilities, the new information demonstrated that the consumer must have contributed to the unauthorized use of his debit card.

FCAC's monitoring ensures that voluntary codes such as that on debit cards work well for consumers. The code is designed to protect Canadian debit card users. For consumers as well as the industry, it outlines responsibilities and liabilities with

respect to debit card transactions. Making this information publicly available facilitates investigations in disputed cases. It also fosters healthy competition in the marketplace.

- Failure to cash a federal government cheque

Issue:
A consumer complained to FCAC that a bank branch did not cash her federal government cheque because she had presented it after the normal working hours of the government's Cheque Redemption Control Directorate (CRCD). The amount of the cheque was under the maximum of $1,500 specified in the *Access to Basic Banking Services Regulations*.

The consumer was not a customer of the bank but had presented valid identification for cashing the cheque, as set out by the Regulations. Moreover, there was no sign of tampering with the cheque. The branch told the consumer that it could not cash the cheque until the following day, when it would be able to call the CRCD to have the cheque verified.

Outcome:
The Acting Commissioner found that a violation had occurred and imposed a penalty of $1,000. The bank paid the penalty and FCAC closed the file. The bank also updated its policy manuals, clarifying when and in what circumstances to use the CRCD's cheque verification services.

Canadians have the right to cash their Government of Canada cheques for amounts of up to $1,500 free of charge at any Canada Deposit Insurance Corporation member bank, whether or not they have a relationship with the financial institution in question. Ensuring that they can exercise this right is essential to improving access to basic banking services in Canada.

Key compliance activities

Compliance monitoring

- **Annual examinations**

In 2007–08, FCAC's Compliance and Enforcement Branch carried out its general examination of all federally regulated financial institutions. This annual examination assesses compliance with the consumer provisions as set out in the relevant legislation.[3]

As in the previous year, we found that federally regulated financial institutions are meeting their statutory obligations in most cases. When an institution did not meet its obligations, FCAC addressed the compliance issue individually with that institution.

However, the examination did highlight two issues that the Branch will attend to in 2008–09:

- New and/or smaller financial institutions could require additional compliance support because they face unique compliance challenges that larger financial institutions may not encounter.

[3] To increase the efficiency of our examination process, we began providing our questionnaire to financial institutions in electronic format. This helped FCAC reduce paper use and simultaneously facilitated the overall reporting procedure.

- An encouraging trend is that financial institutions are increasing their corporate reporting of consumer issues. However, we may need to re-examine the requirements for institutions to report consumer-related matters to FCAC. An update may be necessary to ensure that FCAC has all the information needed to carry out its role as the federal regulator of the financial market's conduct.

- **Monitoring of the Canadian Code of Practice for Consumer Debit Card Services**

  For 2007–08, FCAC made it a priority to monitor the Canadian Code of Practice for Consumer Debit Card Services. This is a voluntary code of conduct that outlines industry practices as well as consumer and industry responsibilities with regard to the use of debit cards and personal identification numbers (PINs). The code was developed in 1992 through extensive consultation with financial institutions, consumer organizations, retailers, and federal and provincial governments. It was implemented in 2005.

  Canadian consumers are increasingly using debit cards. In 2007–08, we began a broad review to determine how well financial institutions were implementing and adhering to the code, and to assess consumers' knowledge of their rights, responsibilities and liabilities when using their debit cards.

  We used both quantitative and qualitative research in the review, including a public opinion survey and focus groups to assess consumer knowledge of debit cards. We also carried out an examination of the related documentation used by a number of financial institutions, such as cardholder agreements and the financial institutions' own policies and procedures.

  FCAC completed all the research components of the review within the fiscal year. In March 2008, we reported the results of the consumer-focused research on our Web site.

- **Ensuring proper disclosure to co-borrowers**

  In 2006–07, we noted that we would work with financial institutions to help ensure that they properly implement FCAC's interpretation of the *Cost of Borrowing Regulations*. The regulations state that federally regulated financial institutions must ensure proper disclosure to all borrowers on a loan, including co-borrowers. Alternatively, they may obtain prior consent from all borrowers to provide only a single disclosure document for a loan.

  In 2007–08, FCAC worked in collaboration with financial institutions to implement and enhance disclosure practices for joint borrowers. FCAC is confident that federally regulated financial institutions achieved compliance with the consumer provisions relating to co-borrowers, as set out in the *Cost of Borrowing Regulations*.

Advising on new legislation and regulations

FCAC does not have a policy mandate. However, as the federal regulator of the financial market's conduct, we can provide information and advice to support the development of federal policies, laws and regulations that govern the financial services sector. In this capacity, FCAC was involved in the following initiatives during 2007–08.

- **Review of legislation and regulations for financial institutions**

  In March 2007 Parliament passed Bill C-37, *An Act to amend the law governing financial institutions and to provide for related and consequential matters.* During 2007–08, FCAC continued to support the government's financial policy development by providing input for new regulations stemming from this legislation. We also ensured that the industry was informed of new or amended provisions that came into force with the passing of the Act.

- **Government working groups**

  At the request of several government working groups, we provided advice and input from our experience in two key areas: dealing with the issues facing consumers in the financial services marketplace; and enforcing the consumer provisions contained in federal statutes and regulations governing financial institutions.

Compliance activities

In 2007–08, we undertook various compliance activities involving federally regulated financial institutions. They included:

- on-site examination;
- establishment of formal Compliance Agreements; and
- development of voluntary action plans.

These activities help identify potential compliance problems and ensure that they are dealt with efficiently and appropriately.

- **On-site examination of a financial institution**

  We examined the disclosure documentation that an institution provided to its consumers, as well as the internal policies and procedures it had developed to meet its statutory obligations and govern interactions with clients.

- **Formal Compliance Agreements between financial institutions and FCAC**

  We entered into Compliance Agreements with two financial institutions. The agreements required the institutions to address the compliance issues identified by the Compliance and Enforcement Branch, and to inform their customers about any disclosure deficiencies that might have existed.

Improving the compliance process

During 2007–08, FCAC continued to refine our compliance process by improving our complaint screening and case management tools. The changes help us better identify the compliance cases that will have the greatest impact on consumers and the marketplace. They also ensure that we deal quickly and appropriately with all the complaints we receive.

FCAC is moving steadily toward a more risk-based approach to compliance and enforcement. As part of this shift, in 2007–08 we began to plan a comprehensive review of our compliance framework. When completed, this review will ensure the following:

- Our compliance activities will be responsive to consumers' complaints about their financial institutions, and to changing market practices and conditions.
- They will focus on systemic issues that have a significant impact on the marketplace and consumers.
- They will foster behavioural changes within federally regulated financial institutions to enhance adherence to the consumer provisions, voluntary industry codes and public commitments.
- They will incorporate an appropriate level of consultation with industry, consumers and other stakeholders.
- They will provide reliable, timely information that supports the government's policy of maintaining an effective, consumer-related compliance framework for the financial sector.

Responding to the needs of consumers

Inquiries and complaints

FCAC handles thousands of inquiries, requests and complaints annually. In our yearly report to Parliament, we provide information about the number and types of issues that were brought to our attention. The following charts and tables present a thorough breakdown of this information. They show the concerns that Canadians have about their financial marketplace, the parts of the country we hear from most and the issues that consumers most frequently bring to our attention.

Table 2 shows the number of inquiries and complaints we received in the past two fiscal years. In total, we were contacted 28,569 times in 2007–08.

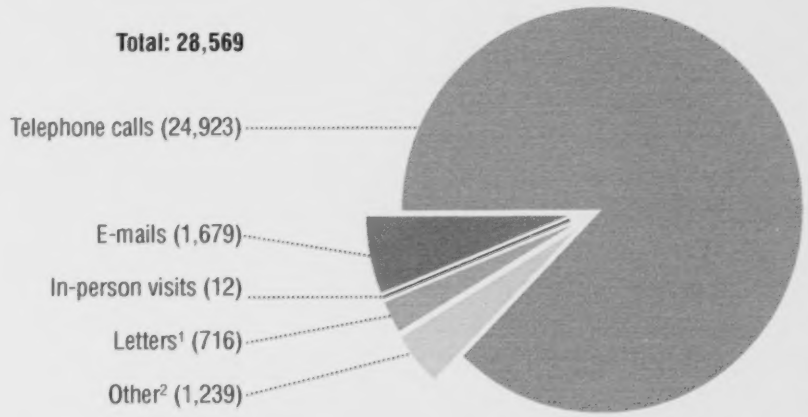
Table 2: Total contacts received by FCAC, by location

	2006–07	2007–08
Alberta	3,274	3,094
British Columbia	3,834	3,494
Manitoba	1,283	1,119
New Brunswick	1,159	797
Newfoundland and Labrador	583	437
Nova Scotia	1,063	626
Nunavut	46	26
Northwest Territories	47	41
Ontario	10,087	9,303
Prince Edward Island	143	104
Quebec	11,016	7,579
Saskatchewan	851	917
Yukon	15	26
USA	101	134
International, other than USA	39	90
Unknown[1]	1,749	782
Total	**35,290**	**28,569**

[1] The location was not indicated by the person contacting FCAC.

Chart 3 shows how consumer inquiries and complaints reached FCAC, in the past fiscal year. Close to 25,000 consumer contacts were by telephone, accounting for 87 percent of the total.

Chart 3: Total contacts received by FCAC, by source



[1] Includes letters, faxes and telephone calls that required a written response.
[2] Includes cases initiated by FCAC and self-reported complaints from financial institutions.

Chart 4 gives a breakdown of inquiries about federally regulated financial institutions. Banks were the subject of 90 percent of these inquiries during the year.

Chart 4: Total contacts received by FCAC about federally regulated financial institutions

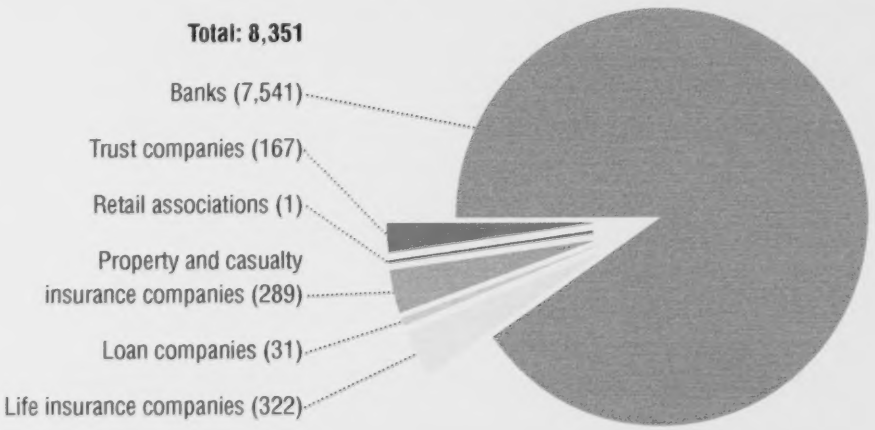
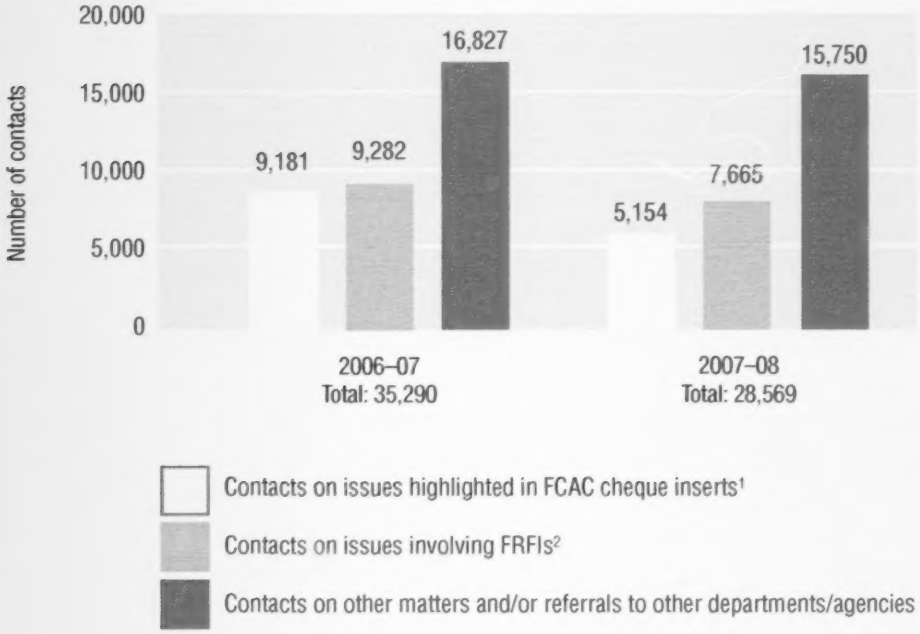


Chart 5 gives a breakdown of the inquiries and complaints we received, organized according to three general subject areas.

Chart 5: Contacts received by FCAC, by subject matter



[1] FCAC's cheque insert campaigns have centred largely on consumers' rights when dealing with banks.
[2] This category may include contacts related to federally regulated financial institutions (FRFIs).
Excludes consumers who called because of cheque inserts.

Table 3 shows the topics of the inquiries and complaints that we received during the year, excluding compliance issues. The top three areas of concern to consumers who contacted us were credit bureaus, Registered Education Savings Plans and cheques.

Table 3: Inquiries and complaints received excluding compliance matters, by category[1]

Accounts	Inquiries	Complaints	Total
ABMs	12	36	48
Access to funds	65	62	127
Account agreements	10	13	23
Account fees	44	55	99
Account information	107	25	132
Bill payments (in-branch)	0	3	3
Cheques	410	227	637
Closed	34	73	107
Collection	8	10	18
Debit cards	31	39	70
Direct deposits	227	9	236
Drafts and money orders	16	28	44
Fraud	7	21	28
Interest rates	3	9	12
Internet banking	3	6	9
Opening	412	76	488
Overdraft	6	16	22
Point-of-sale purchases	19	11	30
Pre-authorized debits	10	27	37
Privacy issues	22	30	52
Quality of service	5	15	20
Record retention	10	1	11
Requests for statistics or data	1	0	1
Right of offset	52	57	109
Statements	10	11	21
Telephone banking	1	2	3
Tied selling	3	0	3
Transfers	28	43	71
Other	410	34	444
Subtotal	**1,966**	**939**	**2,905**
Credit			
Collection	73	256	329
Credit bureaus	999	117	1,116
Credit counselling	224	3	227
Subtotal	**1,296**	**376**	**1,672**

Table 3: Inquiries and complaints received excluding compliance matters, by category[1] (continued)

Credit Cards	Inquiries	Complaints	Total
Account information	55	16	71
Activation	11	0	11
Applications	89	38	127
Bill payments	105	160	265
Cancellations	58	29	87
Cardholder agreements	7	11	18
Collection	11	68	79
Complaint-handling procedures	1	3	4
Convenience cheques	3	4	7
Debt management	17	8	25
Deposits (secured only)	1	2	3
Fees	33	41	74
Fraud	21	41	62
Insurance	22	22	44
Interest rates	54	59	113
Internet banking	4	3	7
Issuers	196	4	200
Lost or stolen	4	0	4
Point-of-sale purchases	21	8	29
Pre-authorized payments	5	19	24
Privacy issues	4	4	8
Quality of service	1	27	28
Regulatory information	17	0	17
Requests for statistics or data	5	0	5
Reward plans	4	13	17
Solicitation	20	33	53
Telephone banking	0	2	2
Tied selling	0	0	0
Transfer of balances	7	10	17
Other	27	12	39
Subtotal	**803**	**637**	**1,440**

Table 3: Inquiries and complaints received excluding compliance matters, by category[1] (continued)

Financial Institutions	Inquiries	Complaints	Total
Bills and coins	14	11	25
Branches	4	2	6
Branch closures	94	17	111
Complaint-handling procedures	75	28	103
Contact information	958	3	961
Estate matters	39	41	80
Exchange rates	21	15	36
Legitimacy	464	0	464
Maximum interest rate	30	2	32
Pre-paid cards	34	15	49
Quality of service	42	196	238
Regulatory information	222	7	229
Safety deposit boxes	5	6	11
Other	34	6	40
Subtotal	**2,036**	**349**	**2,385**
General Inquiries			
FCAC	419	21	440
Fraud/identity theft	96	16	112
Publications[2]	1,129	3	1,132
Referrals to other departments or organizations	9,649	917	10,566
Refusals to change large bills	1	1	2
Regulatory	107	1	108
Small/medium-sized enterprises	59	2	61
Other	1,501	54	1,555
Subtotal	**12,961**	**1,015**	**13,976**
Insurance			
Car	164	117	281
Home	100	68	168
Life and health	105	87	192
Lines of credit	0	1	1
Loan	1	3	4
Mortgage	4	2	6
Small/medium-sized enterprises	2	3	5
Travel	7	5	12
Not specified	24	19	43
Subtotal	**407**	**305**	**712**

Table 3: Inquiries and complaints received excluding compliance matters, by category[1] (continued)

Investments	Inquiries	Complaints	Total
Canada Savings Bonds	253	3	256
Guaranteed investment certificates	34	57	91
Life Income Funds	4	3	7
Mutual funds	16	42	58
Pensions	122	19	141
Registered Education Savings Plans	1,059	46	1,105
Registered Retirement Income Funds	13	13	26
Registered Retirement Savings Plans	93	72	165
Stocks	26	37	63
Not specified	55	55	110
Subtotal	**1,675**	**347**	**2,022**
Loans			
Car	84	40	124
Leases	0	0	0
Lines of credit	28	49	77
Mortgages	204	213	417
Payday loans	30	50	80
Personal loans	59	99	158
Student loans	90	14	104
Not specified	82	97	179
Subtotal	**577**	**562**	**1,139**
Grand total	**21,721**	**4,530**	**26,251**

[1] Also excluded are media contacts and outreach contacts.
[2] These contacts represent requests or inquiries strictly about publications. Not included is any case in which the consumer also had questions on another topic.

Compliance issues

Table 4 shows the number and types of compliance inquiries and complaints we received during the last two fiscal years. In the past year the total number of compliance contacts was almost unchanged from 2006–07.

Table 4: Total compliance contacts received, by category[1]

Codes of conduct and public commitments	2006–07[2]	2007–08
Complaints	124	108
Inquiries	1	3
Self-reported complaints[3]	16	14
Media inquiries	0	0
Consumer provisions		
Complaints	270	225
Inquiries	6	11
Self-reported complaints	1,055	1,098
Media inquiries	0	0
Filings	124	120
Total	**1,596**	**1,579**

[1] For definitions of terms, see Appendix A (Glossary).
[2] The 2006–07 figures have been restated since the publication of the 2006–07 Annual Report to more accurately reflect the year's activities.
[3] To date, the Commissioner has not exercised the right to require financial institutions to self-report complaints related to codes of conduct or public commitments. Instead, the Commissioner has agreed that a financial institution can either self-report or improve public awareness of its codes and commitments.

Table 5 is an overview of FCAC's compliance caseload by type of compliance issue. During 2007–08 we opened 1,565 cases. We closed 1,493 cases by the year's end.

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1]

Consumer provisions	Cases pending at end of 2006–07	Cases opened during 2007–08	Cases closed during 2007–08	Cases pending at end of 2007–08
Accounts				
Disclosure of charges for account maintenance	2	2	3	1
Disclosure of charges for services to customers	8	47	43	12
Disclosure of charges when account is opened	13	44	49	8
Disclosure of interest rates on accounts and method of calculation	6	15	10	11
General	1	13	9	5

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Consumer provisions	Cases pending at end of 2006–07	Cases opened during 2007–08	Cases closed during 2007–08	Cases pending at end of 2007–08
Accounts				
Provision of account agreements and complaint procedures	6	13	7	12
Provision of advance notice for new and/or increased charges	20	74	88	6
Provision of advance notice for new and/or increased charges to second account	1	3	3	1
Provision of written notice of refusal	2	2	2	2
Refusal to open because of bankruptcy	0	4	4	0
Refusal to open because of credit history	5	7	9	3
Refusal to open because of lack of proper identification	11	17	26	2
Refusal to open—General	23	57	72	8
Branch closures				
General	2	1	3	0
Provision of required notice	3	6	5	4
Requests for public meetings	3	5	8	0
Requests to vary notification requirements	0	2	2	0
Coercive tied selling				
Displaying and making available notice relating to the prohibition on coercive tied selling	1	1	0	2
Displaying and making available the prohibition on coercive tied selling on the institution's Web site	0	2	2	0
General	7	24	19	12
Complaint procedures				
Designation of committee to monitor procedures	1	0	1	0
Displaying and making available complaint-handling procedures	0	6	6	0
Establishment of complaint-handling procedures	4	0	3	1
Failure to meet filing requirements	0	2	1	1
Requirement for FRFI[2] other than a bank to be a member of a third-party dispute resolution organization	4	2	3	3
Compliance of affiliate	0	1	0	1
Cost of borrowing—General	0	2	2	0
Credit cards				
Disclosure in plain language	1	1	1	1
Disclosure of changes to non-interest charges	2	14	10	6

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Consumer provisions	Cases pending at end of 2006–07	Cases opened during 2007–08	Cases closed during 2007–08	Cases pending at end of 2007–08
Credit cards				
Disclosure of changes to the cost of borrowing or credit agreement	24	69	68	25
Disclosure of cost of borrowing expressed as a rate per annum	3	32	20	15
Disclosure of cost of borrowing when issued	23	60	51	32
Disclosure of non-interest charges when issued	11	50	47	14
Disclosure of required information in advertisements	1	13	1	13
Disclosure of required information in application forms	4	21	10	15
Disclosure of required information in monthly statements	5	4	4	5
Disclosure relating to optional services	5	30	26	9
General	7	21	19	9
Provision of monthly statements	65	168	197	36
Statements—General	3	4	5	2
Disclosure of charges for services	25	13	34	4
Disclosure of cheque holding policy	7	32	35	4
Disclosure of interest rates in advertisements	2	0	2	0
Disclosure of interest rates—General	5	30	23	12
Examination—Institution-specific	2	1	2	1
Government of Canada cheques				
Fee charged for cashing	5	3	4	4
Refusal to cash	6	7	11	2
Index-linked deposits—Disclosure of required information	0	18	11	7
Lines of credit				
Disclosure of changes to non-interest charges	0	3	2	1
Disclosure of changes to the cost of borrowing or credit agreement	7	32	26	13
Disclosure of cost of borrowing expressed as a rate per annum	2	6	4	4
Disclosure of cost of borrowing when issued	5	21	17	9
Disclosure of non-interest charges when issued	0	11	10	1
Disclosure of required information in advertisements	1	1	1	1
Disclosure relating to optional services	1	9	6	4
General	2	9	8	3
Provision of monthly statements	8	26	29	5

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Consumer provisions	Cases pending at end of 2006–07	Cases opened during 2007–08	Cases closed during 2007–08	Cases pending at end of 2007–08
Loans				
Disclosure of changes to the cost of borrowing or credit agreement	7	7	8	6
Disclosure of cost of borrowing expressed as a rate per annum	0	3	0	3
Disclosure of cost of borrowing when issued	11	18	15	14
Disclosure of non-interest charges when issued	0	1	1	0
Disclosure of required information following a missed payment	1	1	1	1
Disclosure of required information in advertisements	1	0	1	0
Disclosure relating to optional services	0	1	0	1
General	6	21	6	21
Provision of annual statements	10	16	6	20
Statements—General	0	1	0	1
Mortgages				
Disclosure in plain language	0	1	0	1
Disclosure of changes to non-interest charges	0	1	0	1
Disclosure of non-interest charges when issued	5	18	17	6
Disclosure of changes to the cost of borrowing or credit agreement	10	32	30	12
Disclosure of cost of borrowing when issued	14	35	28	21
Disclosure of cost of borrowing expressed as a rate per annum	2	8	4	6
Disclosure of information relating to loan repayments, rebates or charges	18	33	36	15
Disclosure of required information following a missed payment	0	1	1	0
Disclosure of required information in advertisements	1	1	0	2
Disclosure relating to optional services	2	13	9	6
General	3	9	9	3
Provision of annual statements	1	4	5	0
Renewal—General	1	6	5	2
Requirement to provide 21 days' notice before mortgage renewal date	3	19	15	7
Public Accountability Statements				
Failure to meet filing requirements	10	12	20	2
Subtotal	**461**	**1,323**	**1,281**	**503**

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Codes of conduct and public commitments	Cases pending at end of 2006–07	Cases opened during 2007–08	Cases closed during 2007–08	Cases pending at end of 2007–08
Codes of conduct				
Authorized insurance activities	11	16	18	9
Debit card code	27	48	42	33
Small Business Banking Code of Conduct	2	5	5	2
Public commitments				
Agreement to offer low-cost accounts	0	1	0	1
Accessibility of complaint procedures	1	1	1	1
Commitment to reduce cheque hold periods	0	6	5	1
Credit cards—General	0	0	0	0
Credit cards—Visa E-Promise	0	2	0	2
Credit cards—Zero liability	11	24	20	15
Guidelines for the Transfer of Registered Plans	3	17	10	10
Undertaking on unsolicited services	2	2	3	1
Subtotal	**57**	**122**	**104**	**75**

Filings	Filings pending at end of 2006–07	Filings received during 2007–08	Filings closed during 2007–08	Filings pending at end of 2007–08
Branch closures				
Provision of closure notice	1	38	39	0
Provision of closure notice—Less than 500 metres[3]	1	27	27	1
Provision of notice for in-store, agency or satellite branches[3]	0	1	1	0
Provision of notice for temporary closure[3]	0	14	9	5
Provision of complaint-handling procedures by new institutions	1	23	10	14
Public Accountability Statements	5	15	19	1
Revised complaint-handling procedures	1	2	3	0
Subtotal	**9**	**120**	**108**	**21**
Grand total 2007–08	**527**	**1,565**	**1,493**	**599**

[1] In some areas, reclassification has required a restatement of the 2006–07 data. FCAC may reclassify a case in which further investigation reveals that the complaint or inquiry relates to an issue different from that originally identified.
[2] FRFI: federally regulated financial institution.
[3] No filing is required if a branch relocates to a site within 500 metres of its previous place of business. These filings are not required by legislation but were submitted by the financial institutions concerned to keep the Commissioner informed.

Table 6 presents the outcome of the 13 compliance cases closed in 2007–08 on which FCAC took action.

Table 6: Compliance cases closed where action was taken

Consumer provisions	Number of cases closed with violations	Number of violations identified	Commissioner's decisions	Administrative Monetary Penalty[1]
Accounts				
Failure to open because of credit history	1	2	1 Notice of Decision[2]	$6,000
Failure to open because of lack of proper identification	2	4	(included in above decision)	(included in above penalty)
Credit cards				
Failure to disclose changes to the cost of borrowing	1	1	1 Notice of Violation	$25,000
Failure to disclose cost of borrowing when card issued	1	1	1 Notice of Decision	$25,000
Failure to disclose fees when card issued	2	2	2 Notices of Decision	$10,000
Failure to provide monthly statements	1	1	1 Notice of Violation	$5,000
Failure to disclose the required information on monthly statements	1	3	1 Notice of Violation	$25,000
Government of Canada cheques				
Fee charged to cash	2	2	1 Notice of Decision[3]	$0
Refusal to cash	1	1	1 Notice of Decision	$1,000
Lines of credit				
Failure to disclose cost of borrowing when line of credit issued	1	1	1 Notice of Decision	$0
Total	**13**	**18**		**$97,000**

[1] Because they use accrual accounting, FCAC Financial Statements report the total Administrative Monetary Penalties (AMPs) issued during the fiscal year. Table 6, however, reports the total AMPs according to when they were actually paid. Not all AMPs were paid in the same fiscal year they were issued. This accounts for the variance between the total AMPs reported in the Financial Statements ($76,000) and the total AMPs reported in Table 6 ($97,000).

[2] One Notice of Decision was issued for the three cases concerning failure to open.

[3] One Notice of Decision was issued for the two cases concerning fee charged to cash.

Table 7 shows the number of cases closed during the year that were related to consumer provisions.

Table 7: Cases closed relating to the consumer provisions, by type of disposition[1]

Consumer provisions
Accounts
Disclosure of charges for account maintenance
Disclosure of charges for services to customers
Disclosure of charges when account is opened
Disclosure of interest rates on accounts and method of calculation
General
Provision of account agreements and complaint procedures
Provision of advance notice for new and/or increased charges
Provision of advance notice for new and/or increased charges to second account
Provision of written notice of refusal
Refusal to open because of bankruptcy
Refusal to open because of credit history
Refusal to open because of lack of proper identification
Refusal to open—General
Branch closures
General
Provision of required notice
Requests for public meetings
Request to vary notification requirements
Coercive tied selling
Displaying and making available the prohibition on coercive tied selling on the institution's Web site
General
Complaint procedures
Designation of committee to monitor procedures
Displaying and making available complaint-handling procedures
Establishment of complaint-handling procedures
Failure to meet filing requirements
Requirement for FRFI[4] other than a bank to be a member of a third-party dispute resolution organization

Addressed at industry level	Addressed in Compliance Agreement[2]	Addressed in previous compliance report	Non-substantive	Non-violation	Not a compliance matter[3]	Other	Violation(s)	Withdrawn	Not granted	Granted	Examination complete	Total
			3									3
2		1	2	29	8			1				43
3			1	43	2							49
3			1	5	1							10
1				4	4							9
			2	4				1				7
			9	77	2							88
			1	2								3
			1	1								2
				1				3				4
			1	4			1	3				9
				22			2	2				26
				62	8			2				72
				2	1							3
			2	3								5
								3	5			8
										2		2
				2								2
				19								19
	1											1
				6								6
				3								3
1												1
				3								3

Table 7: Cases closed relating to the consumer provisions, by type of disposition[1] (continued)

Consumer provisions
Cost of borrowing—General
Credit cards
Disclosure in plain language
Disclosure of changes to non-interest charges
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of the cost of borrowing expressed as a rate per annum
Disclosure of cost of borrowing when issued
Disclosure of non-interest charges when issued
Disclosure of required information in advertisements
Disclosure of required information in application forms
Disclosure of required information in monthly statements
Disclosure relating to optional services
General
Provision of monthly statements
Statements—General
Disclosure of charges for services
Disclosure of cheque holding policy
Disclosure of interest rates in advertisements
Disclosure of interest rates—General
Examination—Institution-specific
Government of Canada cheques
Fee charged for cashing
Refusal to cash
Index-linked deposits—Disclosure of required information
Lines of credit
Disclosure of changes to non-interest charges
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of the cost of borrowing expressed as a rate per annum
Disclosure of cost of borrowing when issued
Disclosure of non-interest charges when issued
Disclosure relating to optional services
Disclosure of required information in advertisements
General
Provision of monthly statements

Addressed at industry level	Addressed in Compliance Agreement[2]	Addressed in previous compliance report	Non-substantive	Non-violation	Not a compliance matter[3]	Other	Violation(s)	Withdrawn	Not granted	Granted	Examination complete	Total
1								1				2
				1								1
				9	1							10
1		5	4	55	1		1	1				68
			2	15	2			1				20
4				39	5	1	1	1				51
		5		38	1		2	1				47
						1						1
				10								10
				3			1					4
1				23	2							26
2			3	7	6			1				19
57			36	99	1	2	1	1				197
				5								5
20			1	10	3							34
			1	30	4							35
1				1								2
2				19	2							23
											2	2
				1			2	1				4
			2	6			1	2				11
			2	9								11
				2								2
1			8	16	1							26
			1	2	1							4
3			1	11	1		1					17
			2	8								10
				6								6
1												1
				7				1				8
11	1		5	11	1							29

Table 7: Cases closed relating to the consumer provisions, by type of disposition[1] (continued)

Consumer provisions
Loans
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of cost of borrowing when issued
Disclosure of non-interest charges when issued
Disclosure of required information following a missed payment
Disclosure of required information in advertisements
General
Provision of annual statements
Mortgages
Disclosure of non-interest charges when issued
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of cost of borrowing when issued
Disclosure of the cost of borrowing expressed as a rate per annum
Disclosure of information relating to loan repayments, rebates or charges
Disclosure of required information following a missed payment
Disclosure relating to optional services
General
Provision of annual statements
Renewal—General
Requirement to provide 21 days' notice before mortgage renewal date
Public Accountability Statements
Failure to meet filing requirements
Total

[1] For a definition of these terms, see Appendix A (Glossary).
[2] Compliance Agreements also include less formal action plans.
[3] After further review, it was decided that the case was not a compliance matter.
[4] FRFI: federally regulated financial institution.

	Addressed at industry level	Addressed in Compliance Agreement[2]	Addressed in previous compliance report	Non-substantive	Non-violation	Not a compliance matter[3]	Other	Violation(s)	Withdrawn	Not granted	Granted	Examination complete	Total
				1	6		1						8
	1	1		3	8	1	1						15
					1								1
					1								1
				1									1
				1		2	2		1				6
	1	2	2		1								6
				1	13	2			1				17
	3	1		8	17	1							30
				3	25								28
					3	1							4
	3	1		4	26	1			1				36
					1								1
					8	1							9
					5	4							9
				1	3	1							5
		1			4								5
	1				13				1				15
	18			2									20
	142	**8**	**13**	**116**	**870**	**72**	**8**	**13**	**30**	**5**	**2**	**2**	**1,281**

Table 8 shows how FCAC dealt with cases related to codes of conduct and public commitments in 2007–08. We closed 104 cases during the year. These dealt mostly with the debit card code and credit cards.

Table 8: Compliance cases closed relating to codes of conduct and public commitments,[1] by type of disposition

	Compliance	Non-compliance	Withdrawn	Not a compliance matter[2]	Non-substantive	Total cases
Codes of conduct						
Authorized insurance activities	8	4	2	3	1	18
Debit card code	26	7	4	4	1	42
Small Business Banking Code of Conduct	4	0	0	1	0	5
Public commitments						
Accessibility of complaint procedures	0	0	0	0	1	1
Commitment to reduce cheque hold periods	3	0	2	0	0	5
Credit cards—Zero liability	13	2	1	4	0	20
Guidelines for the Transfer of Registered Plans	4	1	3	0	2	10
Undertaking on Unsolicited Services	2	0	0	0	1	3
Total	**60**	**14**	**12**	**12**	**6**	**104**

[1] For a definition of these terms, see Appendix A (Glossary) and Appendix C (Major codes of conduct and public commitments monitored by FCAC).
[2] After further review, it was decided that the case was not a compliance matter.

Table 9 shows how we managed complaints about branch closures during the past two years.

Table 9: Matters related to branch closures

	2006–07	2007–08
Closure notices filed by financial institutions[1]	101	80
Complaints received related to branch closures[2]	40	17
Requests to change the branch closure notice requirements		
Received	0	2
Pending	0	0
Granted	1	2
Not granted	0	0
Requests for public meetings on branch closures[3]		
Received	7	5
Pending	3	0
Withdrawn	3	3
Number of branches closing for which meeting requests were received, and meetings were required or not required		
Branches for which meeting requests were received	8	5
Branches for which meetings were required by the Commissioner	0	0
Branches for which meetings were not required by the Commissioner[4]	2	5

[1] This is the total number of branch closure filings, including filings for facilities not falling under the regulatory definition of a branch, as well as requests to vary the required notice.
[2] These are complaints related to branch closures. The individuals did not request a meeting.
[3] Some were multiple requests pertaining to the same branch.
[4] Institutions will often voluntarily hold a public meeting without a formal requirement from the Commissioner.

FCAC's operations

Operational roles and responsibilities

Executive Branch

The Executive Branch, which includes the Commissioner and the Deputy Commissioner, is responsible for the following:

- managing FCAC's operations, including all aspects of its programs, finances, administration and human resources;
- supervising approximately 425 federally regulated financial institutions to determine whether they are complying with applicable consumer protection legislation, and with their own voluntary codes of conduct and public commitments; and
- providing national education initiatives to identify and meet consumers' needs for financial knowledge.

The Commissioner of the Financial Consumer Agency of Canada is appointed for a period of up to five years. The current Commissioner, Ursula Menke, was appointed on December 3, 2007.

The Commissioner reports to Parliament annually through the Minister of Finance, and to the Minister of Finance regularly, about the Agency's activities and findings.

FCAC's Commissioner is an ex officio member of the Board of Directors of the Canada Deposit Insurance Corporation (CDIC). The Commissioner is also a member of the Financial Institutions Supervisory Committee, chaired by the Superintendent of Financial Institutions, as well as the Senior Advisory Committee, chaired by the Deputy Minister of Finance. In this latter capacity, the Commissioner, working with the Deputy Commissioner and other FCAC staff, adds his or her insights and consumer expertise to the policy advice provided by the committee to the Minister of Finance on key financial issues.

The Executive Branch also includes Legal Services, which consists of a senior counsel from the Department of Justice Canada who is part of our management team and advises on all aspects of FCAC's mandate and operations.

Consumer Education and Public Affairs Branch

The *Financial Consumer Agency of Canada Act* mandates FCAC to promote consumer awareness about the obligations of financial institutions under the applicable consumer provisions, and to foster an understanding of financial services and related issues. To fulfill this requirement, the Agency's Consumer Education and Public Affairs Branch is responsible for:

- producing information materials to enhance consumers' knowledge of financial institutions' legal obligations, and of financial products and services;
- carrying out research and surveys;
- disseminating information via the media, the FCAC Web site and stakeholders;
- reaching out to community groups, associations and other stakeholders;
- handling correspondence with consumers; and
- supporting the needs of FCAC's call centre (operated by CDIC).

Compliance and Enforcement Branch

FCAC's Compliance and Enforcement Branch monitors financial institutions to ensure they comply with the consumer provisions of the *Bank Act*, the *Trust and Loan Companies Act*, the *Insurance Companies Act*, and the *Cooperative Credit Associations Act*.

The consumer provisions are listed in Appendix B. Generally, they deal with:

- opening retail deposit accounts;
- cashing federal government cheques;
- coercive tied selling;
- disclosing information about account charges and interest;
- disclosing the cost of borrowing;
- disclosing cheque holding policies;
- providing information to consumers about FCAC when they have a complaint about a product or service;
- producing Public Accountability Statements;
- establishing procedures for dealing with complaints; and
- closing retail branches.

The Branch also monitors and reports on compliance with voluntary codes of conduct and public commitments adopted by federally regulated financial institutions either directly or through an industry association. The codes cover topics such as debit cards and credit relations with small businesses.

In addition, the Branch is responsible for:

- investigating complaints and dealing with compliance issues related to the consumer provisions in any of the legislation within FCAC's jurisdiction;
- managing the Agency's compliance framework and ensuring that federally regulated financial institutions conform to it;
- monitoring the Agency's tracking systems to identify compliance trends;
- encouraging financial institutions to develop policies and procedures for implementing the consumer provisions that apply to them; and
- promoting a culture of compliance within federally regulated financial institutions.

Among the Branch's tools for monitoring compliance are consumer surveys, analyses of complaints and inquiries, annual and special examinations of federally regulated financial institutions, studies by third parties, and market-based analyses (mystery shopping).

FCAC meets regularly with financial institutions. Some of the meetings take place quarterly to share information on topics of common interest, such as monitoring activities, industry-wide compliance matters, and the Commissioner's position on compliance with legislation, regulations, voluntary codes and public commitments. The Agency's goal is to protect the interests of Canadian consumers of financial products and services, and to promote regulatory compliance. To achieve this, FCAC requires cooperation from financial institutions.

Administrative Services

The main responsibilities of FCAC's Administrative Services are to manage finances, human resources, access to information and privacy issues, facilities, records, informatics, security, occupational health and safety, mail and courier services, and the distribution of publications.

We contract with the Office of the Superintendent of Financial Institutions for human resources, internal audit services, financial services and resource/library services.

Best practices in management

FCAC is committed to effective programs that reflect the Agency's Results-based Management and Accountability Framework (RMAF). When and where required, we implement and update our action plan for improving our management processes. This year, we concentrated on the following categories.

Integrated performance information

The RMAF remains the cornerstone of our performance evaluation strategy. The RMAF includes:

- a logic model describing the FCAC program in terms of its planned activities, related outputs and intended outcomes;
- an evaluation strategy that presents the evaluation issues, questions and data; and
- a reporting strategy.

The performance indicators and methodology for FCAC's evaluation strategy and plans draw on data from our extensive and ongoing performance measurement. Our Web-based Integrated Case Management System captures information related to our consumer contacts. We continuously enhance our data capturing and tracking systems to ensure that the information required by the RMAF is effectively collected and used.

FCAC's annual *Program and Performance Management Evaluation Report* (available on our Web site) consolidates FCAC's achievements and results for each fiscal year. The report also compares actual results with the year's performance targets and commitments, which are an integral part of FCAC's business plan.

To monitor our operations, we produce statistical and managerial reports on a regular basis. We also produce quarterly scorecards for specific data and performance indicators, in accordance with the business plan.

Following the "mystery calling" exercise carried out in 2006–07 to evaluate the performance of customer service agents at the Consumer Contact Centre, we developed training materials for the agents and delivered these during 2007–08. We also continued to review our operations—particularly those of the Centre and the Correspondence Unit—to ensure that we were meeting our service commitments to consumers.

Human resources

During 2007–08, we reviewed our human resources plan. We evaluated a wide range of elements, including critical positions, expected retirements, new positions required under the business plan, essential skills, training requirements and development opportunities. Following the review, we completed the FCAC staffing plan for 2008–09.

In 2007–08, we again surveyed our employees to gain their perspectives on various organizational issues and gauge their level of satisfaction in relation to these issues.

Integrated risk management

We developed and/or updated follow-up reports that are used to monitor our implementation of key risk-mitigation activities. The reports are presented to the Audit Committee at least once a year. Our 2007–09 business plan takes into account some of our major risks, along with the strategies we use to reduce them.

Rigorous stewardship

We continue to work with the Office of the Superintendent of Financial Institutions for our financial services, human resources services, library services and internal audit services. The Office of the Auditor General of Canada carries out the annual audit of our financial statements. All audits and related documentation are presented to FCAC's Audit Committee.

Following updates to our corporate risk profile and the business process risk matrix, we updated the Agency's multi-year internal audit plan. We also carried out our fourth internal audit engagement, which focused on a review of the Consumer Contact Centre.

We began our Management Accountability Framework self-assessment by developing a template for all 21 of its elements. We evaluated three of these elements in 2007–08 and expect to complete the self-assessment during 2008–09.

In other stewardship areas, we improved our capacity for reporting on FCAC programs so that senior management will continue to have the information needed to make informed decisions.

FCAC's performance

Consumer service

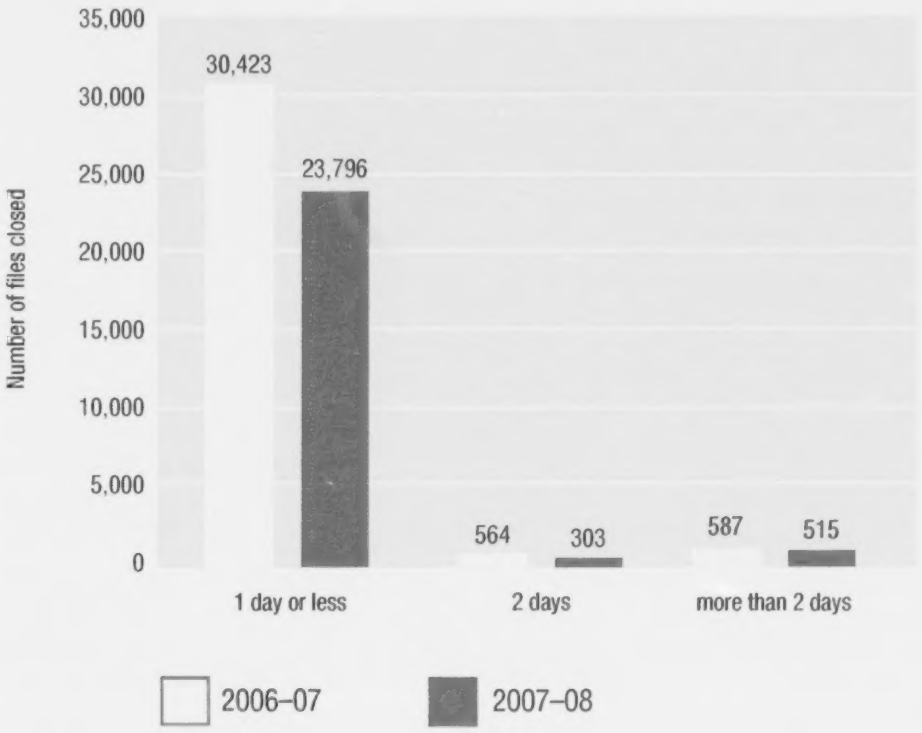
We track our performance in consumer service in three main areas: the Consumer Contact Centre, the Correspondence Unit, and the Compliance and Enforcement Branch.

Consumer Contact Centre

The Consumer Contact Centre answers telephone inquiries from consumers on a wide range of topics related to financial services, products and issues.

Chart 6 shows that more than 96 percent of telephone inquiries were fully addressed the same day in the past fiscal year.

Chart 6: Time taken to close a file related to a telephone call received by the Consumer Contact Centre[1]

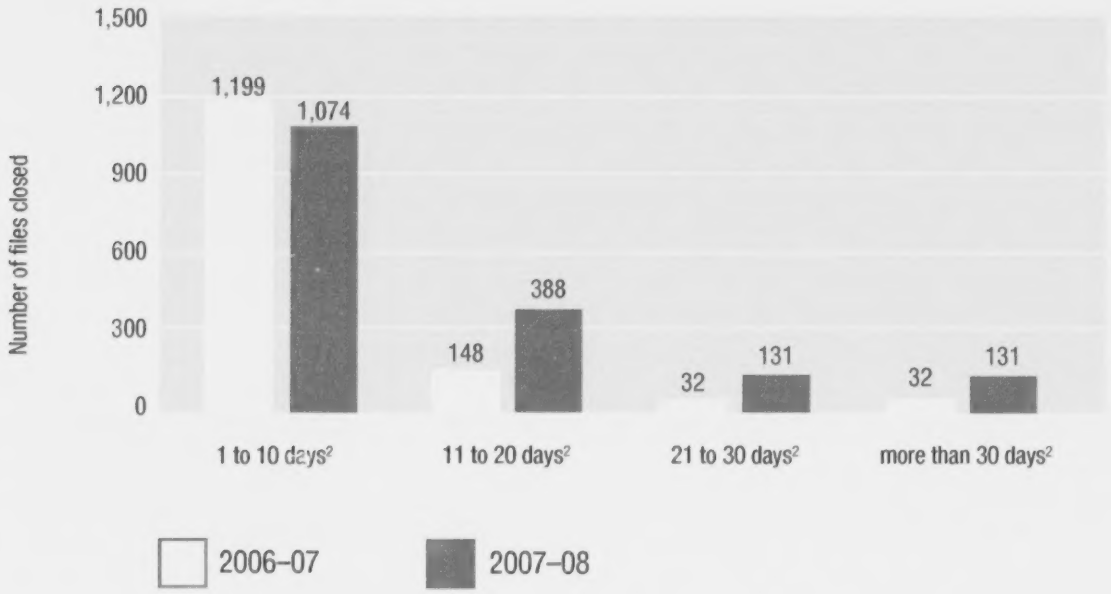


[1] Excludes media, outreach and compliance contacts.

Correspondence Unit

The Correspondence Unit handles e-mail messages and letters from consumers. For details, see **Chart 7**.

Chart 7: Time taken to close a file generated by a communication[1] or in-person visit from a consumer, on matters not related to compliance



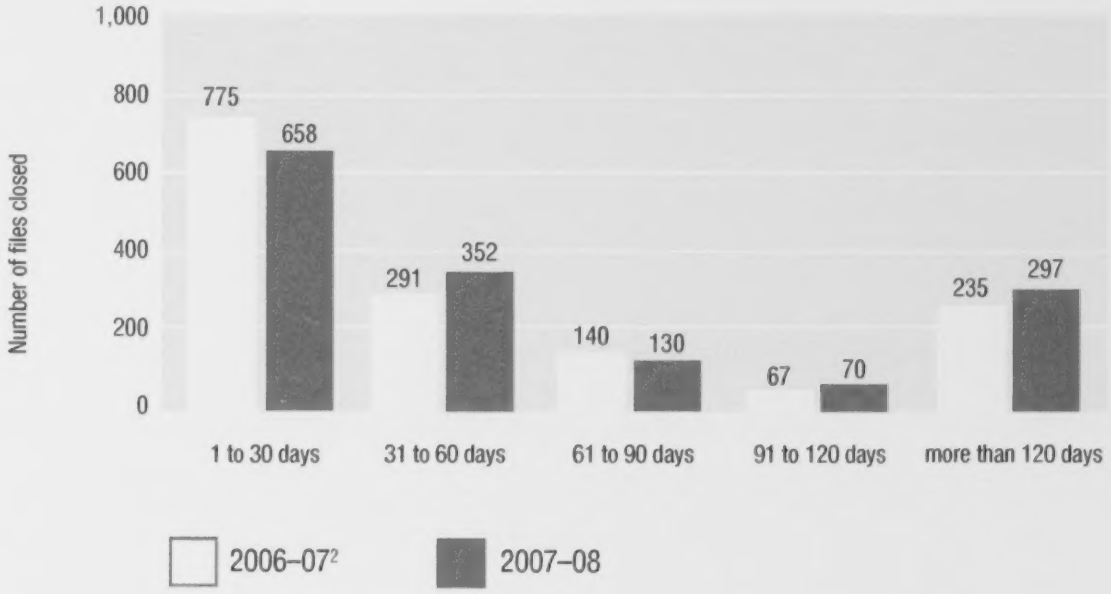
[1] Includes letters, e-mails and faxes, as well as telephone calls requiring a written response. Excludes media and outreach contacts.

[2] In previous years, the categories for reporting on this measure were in multiples of 7 days. The change to multiples of 10 days reflects FCAC's current business plan. FCAC has verified with several sources that its service commitments and targets for response times remain within appropriate guidelines. The 2006–07 figures have been restated to reflect the change.

Compliance and Enforcement Branch

The Compliance and Enforcement Branch processes compliance-related files as speedily and effectively as possible. As shown in **Chart 8**, in the past fiscal year we closed 44 percent of files within 30 working days. Approximately 67 percent of all cases were closed within 60 working days.

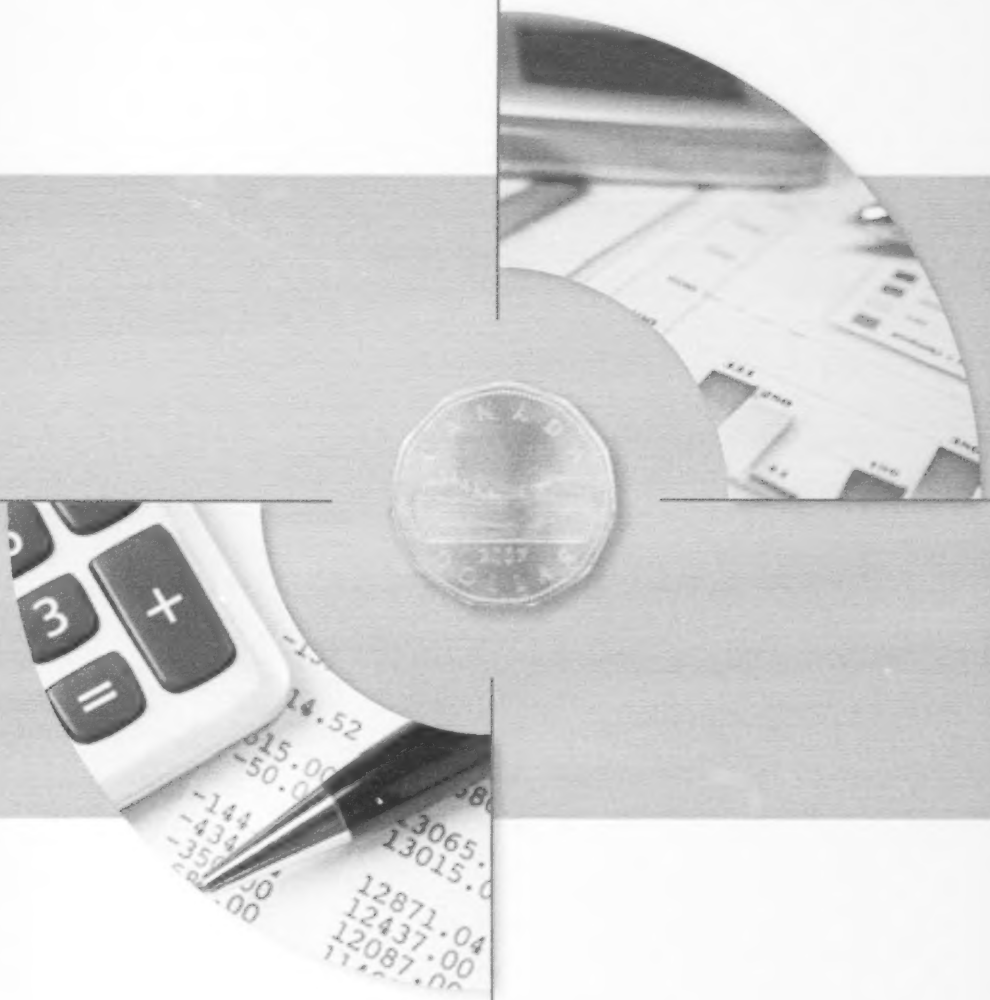
Chart 8: Time taken to close a file related to a compliance matter[1]



[1] Includes consumer complaints and inquiries, self-reported complaints, and filings. Excludes media contacts.

[2] The 2006–07 figures have been restated since the publication of the 2006–07 Annual Report to more accurately reflect the year's activities.

Financial statements



Financial highlights 2007–08

The Financial Consumer Agency of Canada is a federal government department that is funded mostly through industry assessments paid by federally regulated financial institutions. During 2007–08, FCAC received additional government funding related to a specific government priority. This was for the Agency "to develop, share and facilitate the dissemination, among financial education providers and other interested parties, of information and instructional materials for financial literacy education, especially for young people."[4]

The Agency's human resources costs posted an increase of $252,000 over fiscal year 2006–07. This increase includes staff that filled the positions created in relation to the Financial Literacy initiative and information technology (IT). The increase is less than originally forecast since some internal staff were reassigned to work on the Financial Literacy initiative. With this reassignment of staff and other situations, some positions were vacant for some time due to longer-than-expected recruitment timelines.

Professional services expenses decreased by about $118,000 from 2006–07. This was because several surveys, a quality assurance exercise and several awareness-driven initiatives undertaken during the preceding fiscal year were not repeated in 2007–08, in some cases because they are conducted at two- or three-year intervals. The decrease was partially offset by additional professional services related to the Financial Literacy initiative.

Accommodation expenses increased by approximately $120,000 from 2006–07, partly as a result of the increased amortization related to leasehold improvements and the increased expense related to the storage and handling of FCAC's publications. The leasehold improvements undertaken in 2007–08 were necessary to accommodate the staff of the Financial Literacy initiative.

Administrative and other expenses fell by about $210,000 from 2006–07, mainly because of reduced printing costs. Several printing jobs related to some of FCAC's key publications were not repeated in 2007–08.

Costs related to information management/technology were lower than in the preceding year by about $302,000. FCAC took over the provision of IT services from Public Works and Government Services Canada to ensure an enhanced level of security and responsiveness to meet the Agency's evolving IT needs.

It is important to note that the salary and benefit costs related to FCAC's IT team offset the reduction in the overall cost of IT services. In addition, the overall IT costs were further offset by the expense related to IT consultants contracted to work on the Financial Literacy initiative Web portal (The Money Belt) and implementation of the Records, Document and Information Management System (RDIMS).

Interest charges decreased by approximately $30,000 from 2006–07 as a result of the decrease in the loan payable amount outstanding during the year.

[4] *Financial Consumer Agency of Canada Business Plan, April 2007–March 2009*, updated March 31, 2008.

From its inception, the Agency has been guided by the management principle that it should concentrate on delivering the programs called for in its legislation. We have therefore opted to use common and/or shared services for the provision of generic corporate services when it is cost-effective to do so. Hence, FCAC's cost structure may vary from other federal organizations due to its use of common and/or shared services. The expenses related to the common and/or shared services are recorded under professional services instead of human resources costs if the services were provided by internal staff.

FCAC continues to be committed to the concept of common services agreements and has in place arrangements with the following organizations:

- the Office of the Superintendent of Financial Institutions for human resources, accounting and administration, internal audit services, and research services; and
- the Canada Deposit Insurance Corporation for a joint call centre.

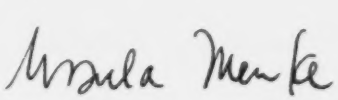
These strategic partnerships give the Agency the flexibility needed to manage evolving programs as cost-effectively and efficiently as possible.

Management's Responsibility for the Financial Statements

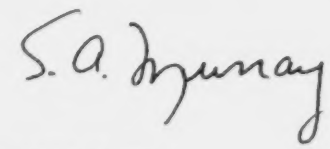
Responsibility for the integrity and objectivity of the accompanying financial statements and their consistency with all other information contained in this annual report rests with the management of the Financial Consumer Agency of Canada (FCAC).

These financial statements, which include amounts based on management's best estimates as determined through experience and judgment, have been prepared in accordance with Canadian generally accepted accounting principles for the private sector. Management has developed and maintained books of accounts, records, internal controls, management practices and information systems designed to provide reasonable assurance that the assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and transactions are in accordance with the *Financial Administration Act* and regulations as well as with FCAC policies and statutory requirements.

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the financial statements of FCAC, and reports on her audit to the Minister of Finance.



Ursula Menke
Commissioner
Financial Consumer Agency of Canada



Susan Murray
Acting Deputy Commissioner
Financial Consumer Agency of Canada

Ottawa, Canada
May 23, 2008

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Financial Consumer Agency of Canada (Agency) as at March 31, 2008 and the statement of operations, comprehensive income and retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Michael A. Pickup, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
May 23, 2008

Balance Sheet

As at March 31, 2008

	Note	2008	2007
ASSETS			
Current			
Cash Entitlement		$ 923,361	$ 1,476,015
Assessments Receivable		1,253,528	50,320
Accrued Assessments		—	128,244
Other Assets		49,944	119,042
Capital Assets	5	376,756	285,163
TOTAL ASSETS		**$ 2,603,589**	**$ 2,058,784**
LIABILITIES			
Current			
Accounts Payable and Accrued Liabilities		$ 1,226,407	$ 1,797,293
Unearned Revenue		1,050,823	—
Employee Future Benefits	7b	326,359	261,491
Total Liabilities		**2,603,589**	**2,058,784**
Equity of Canada		—	—
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,603,589**	**$ 2,058,784**

Contractual Obligations 9

Approved by:

Ursula Menke

Ursula Menke
Commissioner
Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

Statement of Operations, Comprehensive Income and Retained Earnings

For the year ended March 31, 2008

	Note	2008	2007
REVENUE			
Assessments		$ 6,931,811	$ 8,025,626
Other Revenue		10	13,618
Total Revenue		**6,931,821**	**8,039,244**
EXPENSES			
Salaries and Benefits		4,394,360	4,142,349
Professional Services		1,704,497	1,822,356
Accommodation		715,424	594,860
Administrative and Other		466,123	676,507
Information Management/Technology		340,311	509,745
Interest	8	135,831	166,329
Travel		119,190	127,098
Total Expenses		**7,875,736**	**8,039,244**
Operating Results before Government Funding and Administrative Monetary Penalties		**(943,915)**	**—**
Government Funding	11	943,915	—
Operating Results before Administrative Monetary Penalties		**—**	**—**
Administrative Monetary Penalties	10	76,000	101,000
Administrative Monetary Penalties Earned on Behalf of the Government	10	(76,000)	(101,000)
Net Operating Results and Comprehensive Income		**—**	**—**
RETAINED EARNINGS, BEGINNING OF YEAR		**—**	**—**
RETAINED EARNINGS, END OF YEAR		**$ —**	**$ —**

The accompanying notes are an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended March 31, 2008

	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Financial Institutions and Other Government Departments		$ 8,411,892	$ 7,360,815
Cash Paid to Suppliers and Employees		(8,495,014)	(7,070,188)
Interest Paid	8	(135,831)	(166,304)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	10	(76,000)	(101,000)
Cash (Used) Provided by Operating Activities		**(294,953)**	**23,323**
INVESTING ACTIVITIES			
Acquisition of Capital Assets	5	(257,701)	(104,510)
Cash Used for Investing Activities		**(257,701)**	**(104,510)**
FINANCING ACTIVITIES			
New Borrowings		4,000,000	5,000,000
Repayments		(4,000,000)	(5,000,000)
Cash Provided by Financing Activities		—	—
NET DECREASE IN CASH ENTITLEMENT		**(552,654)**	**(81,187)**
CASH ENTITLEMENT, BEGINNING OF YEAR		**1,476,015**	**1,557,202**
CASH ENTITLEMENT, END OF YEAR		**$ 923,361**	**$ 1,476,015**

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended March 31, 2008

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in schedule I.1 of the *Financial Administration Act.*

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act* (the Act). It must:

a) **supervise** financial institutions to determine whether they are in compliance with the consumer provisions applicable to them;
b) **promote** the adoption by financial institutions of policies and procedures to implement consumer provisions applicable to them;
c) **monitor** the implementation of financial institutions' publicly available voluntary codes of conduct that are designed to protect the interests of their customers, and monitor any public commitments made by financial institutions to protect the interests of their customers;
d) **promote** consumer awareness about the obligations of financial institutions under consumer provisions applicable to them; and
e) **foster** an understanding of financial services and issues relating to financial services, in cooperation with any department, agency or Crown corporation of the Government of Canada, or of a province, financial institution, or consumer or other organization.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. FCAC's operations are typically funded entirely through this process. FCAC is however entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations*, which outline the methodology used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

2. Change in accounting policies

a) Adoption of new accounting standards

On April 1, 2007, FCAC adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook sections 1530, "Comprehensive Income"; 3251, "Equity"; 3855, "Financial Instruments—Recognition and Measurement"; and 3861, "Financial Instruments—Disclosure and Presentation". These sections provide

standards for recognition, measurement, disclosure and presentation of other comprehensive income, equity, financial assets, financial liabilities, derivatives and non-financial derivatives. These standards require retrospective application without prior period restatement with any transitional adjustments being recorded in opening retained earnings, and as a result comparative financial statements have not been restated. As at April 1, 2007, no transitional adjustments had been made to the opening balance of FCAC's retained earnings arising from the adoption of these new sections. The principal changes in the accounting resulting from the adoption of these new standards are described below.

Section 3855, "Financial Instruments—Recognition and Measurement", establishes the criteria for recognition, derecognition, measurement, and classification of financial instruments. Under the new standard, all financial instruments are classified into one of the following categories: financial assets as held for trading, held-to-maturity, available-for-sale, or as loans and receivables; and financial liabilities as held for trading, or as other financial liabilities. In accordance with the transitional provisions, upon initial recognition, financial assets and financial liabilities are required to be measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net results in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net results. Financial assets held to maturity, loans and receivables, and other liabilities are measured subsequently at amortized cost.

As a result of the adoption of these standards, FCAC has designated its Cash Entitlements as held-for-trading. Assessments Receivable are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities. The classifications chosen did not result in any transitional adjustments under Section 3855.

Upon adoption of Section 3855, FCAC reviewed all contracts that were issued and outstanding as at March 31, 2008. No embedded derivatives that require separation were identified.

Section 1530, "Comprehensive Income", describes reporting and disclosure requirements with respect to comprehensive income and its components. Comprehensive income is composed of FCAC's net results and other comprehensive income, and requires

certain unrealized gains and losses resulting from changes in fair value of certain financial instruments, which would otherwise be recorded as part of net results, to be presented in other comprehensive income until such time that the financial instruments are derecognized. At that time, any new balance in other comprehensive income is recognized in net results.

The adoption of this section had no accounting impact on FCAC, as there have been no transactions resulting in other comprehensive income.

Section 3251, "Equity", establishes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, "Comprehensive Income".

The adoption of this section had no impact on FCAC's equity presentation since there have been no transactions resulting in other comprehensive income or changes in equity.

b) Future accounting changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures"; Handbook Section 3862, "Financial Instruments—Disclosures"; and Handbook Section 3863, "Financial Instruments—Presentation". These standards are effective for FCAC's reporting period beginning on April 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments—Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

FCAC is currently assessing the impacts of these standards on the financial statements.

3. Summary of significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the private sector.

b) Revenue recognition

The Agency is dependent on its revenue from the assessment of financial institutions to fund its costs of operations, including those related to employee future benefits. FCAC matches its revenue to its operating costs. Any assessments that have been billed and for which costs have not been incurred are classified as unearned revenue on the balance sheet.

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed cost and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

Administrative monetary penalties may be issued by the Commissioner of the FCAC through Notices of Violations. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an Act listed in Schedule 1 to the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as $50,000 for an individual and $200,000 for an institution. Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

c) Employee future benefits

i) Pension benefits

FCAC's eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. Supplementary retirement benefits may also be provided in accordance with the *Special Retirement Arrangements Act*. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plan benefits and they are indexed to inflation. Both the employees and FCAC contribute to the cost of the Plan. FCAC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii) Severance benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. These benefits represent the only obligation of FCAC that entails settlement by future payment.

The cost of severance benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The valuation of the liability is based upon a current market discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future

wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees.

iii) Other future benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC employees and retirees. FCAC's responsibility with regard to these two plans is also limited to its contributions.

d) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

e) Assessments receivable

Assessments receivable are stated at amounts expected to be ultimately realized and represent a debt due to Her Majesty.

f) Capital assets

All capital assets are initially recorded at acquisition cost. Amortization of capital assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Asset class	Amortization period
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 years

4. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items involving the use of estimates and assumptions are the benefit costs, the total severance benefits liability and the useful lives of capital assets. Actual results could significantly differ from those estimates.

5. Capital assets

Category	Gross book values			Accumulated amortization			Net book values	
	Opening balance	Additions	Closing balance	Opening balance	Amortization expense	Closing balance	2008	2007
Furniture and fixtures	$ 532,801	$ 64,881	$ 597,682	$ 333,743	$ 79,711	$ 413,454	$ 184,228	$ 199,058
Leasehold improvements	435,560	83,744	519,304	382,843	47,083	429,926	89,378	52,717
Informatics software	91,075	—	91,075	73,361	13,459	86,820	4,255	17,714
Office equipment	58,928	—	58,928	51,164	4,585	55,749	3,179	7,764
Informatics hardware	20,067	109,076	129,143	12,157	21,270	33,427	95,716	7,910
Total	**$1,138,431**	**$ 257,701**	**$1,396,132**	**$ 853,268**	**$ 166,108**	**$1,019,376**	**$ 376,756**	**$ 285,163**

6. Loan payable

FCAC funds its ongoing operations with cash advanced from the Consolidated Revenue Fund. There were no funds advanced as at March 31, 2008.

7. Employee future benefits

a) Pension benefits

FCAC and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The estimated employer contributions to the Public Service Pension Plan during the year were $401,828 (2007—$401,460).

As required under present legislation, the contributions made by FCAC to the Plan are 2.02 times the employees' contribution on amounts of salaries of $130,700 or less and 7.3 times the employees' contribution on amounts of salaries in excess of $130,700.

b) Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	2008	2007
Accrued Benefit Obligation, beginning of year	**$ 365,928**	**$ 358,428**
Current service cost	43,812	49,677
Interest cost	16,479	15,836
Benefits paid	(201)	(21,322)
Actuarial loss	(34,462)	(36,691)
Accrued Benefit Obligation, end of year[1]	**391,556**	**365,928**
Unamortized Net Actuarial Loss	(65,197)	(104,437)
Accrued Benefit Liability	**$ 326,359**	**$ 261,491**

Net Benefit Plan Expense		
Current service cost	$ 43,812	$ 49,677
Interest cost	16,479	15,836
Amortization of net actuarial losses[2]	4,778	8,999
Net Benefit Plan Expense	**$ 65,069**	**$ 74,512**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's revenue from assessments outlined in Note 3b to the Financial Statements. Amounts collected in excess of benefits paid are presented on the Balance Sheet under the heading of Cash Entitlement.

[2] The amortization period is the remaining average service period of active employees.

A discount rate of 4.25% (2007—4.25%) was applied in measuring the Agency's accrued benefit obligation. Management's best estimate for the general salary increases used to estimate the current service cost and the accrued benefit obligation as at March 31, 2008 is an annual economic increase of 2.5% for the plan years 2009 and 2010 inclusively (2007—2.0% for the plan year 2008). Thereafter an annual economic increase of 2.0% (2007—2.0%) is assumed. The average remaining service period of the active employees covered by the benefit plan is 14 years (2007—14 years).

8. Related party transactions

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. The Agency has entered into service agreements with several departments and one Crown corporation for the supply of key services to the Agency and its staff in carrying out its mandate. FCAC currently works with the following partners:

- Public Works and Government Services Canada (PWGSC)
- Canada Deposit Insurance Corporation (CDIC)
- the Office of the Superintendent of Financial Institutions (OSFI)

FCAC also enters into transactions with other government entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. The following table summarizes the impact of the Agency's significant related-party transactions for the year on total expenses and the amounts due to (from) those related parties at the end of the year. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2008		2007	
Related Party and Nature of Service Provided	**Expense**	**Payable/ (Receivable)**	**Expense**	**Payable/ (Receivable)**
PWGSC				
Accommodation	$ 459,837	$ —	$ 455,581	$ —
Management/ Information Technology	37,748	8,453	340,317	85,114
Translation Services	130,095	24,899	89,474	9,323
Other Services	15,636	(7,987)	59,967	59,967
	643,316	25,365	945,339	154,404
Treasury Board				
Employee Benefits	777,344	27,939	747,757	3,243
CDIC—Professional Services				
Call Centre Administration	412,157	—	399,764	—
OSFI—Professional Services				
Financial Services	127,355	—	121,275	—
Human Resources Services	125,599	—	105,489	—
Internal Audit Services	69,150	69,150	85,000	85,000
Research Services	30,000	—	20,018	—
	352,104	69,150	331,782	85,000
Statistics Canada				
Employee Secondment	—	25,524	—	—
Department of Finance				
Interest on Loan from the Consolidated Revenue Fund	135,831	10,623	166,329	—
Total	**$ 2,320,752**	**$ 158,601**	**$ 2,590,971**	**$ 242,647**

9. Contractual obligations

Contractual commitments arising from service agreements entered into with various departments and one Crown corporation for the supply of key services to the Agency, as well as future minimum lease payments for the remaining term of the Agency's lease for office space, are outlined below.

Year ending March 31	Service agreements	Operating lease	Total
2009	$ 483,246	$ 447,593	$ 930,839
2010	492,258	—	492,258
2011	468,594	—	468,594
2012	477,576	—	477,576
2013	451,486	—	451,486
Total	**$ 2,373,160**	**$ 447,593**	**$ 2,820,753**

10. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

FCAC levied $76,000 (2007—$101,000) in administrative monetary penalties during fiscal year 2007–08.

11. Government funding

Effective 2007–08 and for a period of two years, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to develop and share instructional materials for financial literacy education programs, particularly directed toward young adults, and to facilitate the dissemination of these materials and information through financial education providers. During 2007–08, FCAC received an appropriation of $943,915 (2007—nil).

Appendices

Appendix A Glossary

Administrative Monetary Penalty
A monetary penalty that the Commissioner may impose after determining that a violation has been committed. The penalty can be as high as $50,000 for an individual or $200,000 for an institution (as of March 29, 2007). The amount is determined on the basis of three criteria: the degree of intent or negligence of the violator, the harm done by the violation, and any history of previous violations.

Addressed at industry level
A compliance issue has been identified as being an industry-wide issue. The institution has agreed to implement changes to improve compliance.

Addressed in Compliance Agreement
A federally regulated financial institution has agreed to enter into a Compliance Agreement concerning the compliance issue.

Case
A file opened by FCAC's Compliance and Enforcement Branch pertaining to a compliance matter, such as an alleged contravention of a consumer provision, code of conduct or public commitment. Circumstances surrounding the matter are reviewed and assessed by the Branch.

Closed case
A compliance case closed between April 1 and March 31 of the reporting year.

Code of conduct
A code adopted by a financial institution or an industry association and made publicly available (for example, on its Web site), designed to protect the interests of customers of that institution or industry. FCAC monitors whether federally regulated financial institutions comply with their voluntary codes of conduct.

Coercive tied selling
The use of coercion or undue pressure to induce an individual to obtain a product or service from a particular person, bank or affiliate, as a condition for obtaining another product or service from that same source.

Complaint
A verbal or written expression of dissatisfaction by a consumer, related to any area of activity of a financial institution.

Complaint-handling procedure
A procedure that federally regulated financial institutions are legally required to put in place for dealing with complaints made by persons who have requested or received products or services from a financial institution in Canada. Financial institutions must file their complaint-handling procedures with FCAC.

Compliance Agreement
An agreement entered into by the Commissioner and the senior management of a financial institution, specifying corrective measures designed to further compliance with the consumer provisions and setting out a time frame for implementation of the measures.

Compliance, finding of
A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with the institution's voluntary code of conduct or public commitment governing such actions.

Compliance framework
A framework outlining how FCAC supervises financial institutions' compliance with the legislated consumer provisions, and how it monitors the institutions' compliance with voluntary codes of conduct and public commitments.

Compliance measures
A series of actions that the Commissioner may implement to further compliance with consumer provisions when an institution is found to have violated a consumer provision. Determined on a case-by-case basis, the compliance measures may include such correctives as proceedings initiated through a Notice of Violation and an Administrative Monetary Penalty.

Consumer provision
A provision of federal legislation/regulations identified as a consumer provision in section 2 of the *Financial Consumer Agency of Canada Act*. When designated by regulation, contravention of such a provision constitutes a violation.

Examination
An examination conducted by FCAC, as circumstances require, to satisfy the Commissioner that a financial institution is complying with the consumer provisions, as well as with its code of conduct or public commitment. FCAC forwards the conclusions of such examinations to the Minister of Finance.

Filing
A document that a federally regulated financial institution is required by legislation (the *Bank Act*, the *Cooperative Credit Associations Act*, the *Insurance Companies Act* or the *Trust and Loan Companies Act*) to file with FCAC.

Non-compliance, finding of
After investigation by FCAC, a determination that the actions of a particular financial institution do not comply with the terms of a voluntary code of conduct or a public commitment applicable to that institution.

Non-substantive issue
An issue that appears to be a violation but involves a minor or isolated incident, or has very limited impact on consumers. No violation is noted against the financial institution's history but such issues are monitored to identify trends.

Non-violation, finding of
A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with its consumer provision obligations.

Not a compliance matter
A case may be found to be not a compliance matter if, for various reasons, it falls outside of FCAC's mandate or jurisdiction, or predates the existence of FCAC (October 24, 2001).

Notice of Violation
A notice provided for by law and issued by the Commissioner, informing a financial institution that there are reasonable grounds to believe that the institution has violated a consumer provision. The *Financial Consumer Agency of Canada Act* requires the notice to state the name of the institution that committed the

violation, the nature of the violation and the proposed amount of the Administrative Monetary Penalty to be levied against the institution by FCAC. After the Commissioner issues a Notice of Violation and receives representations from the institution, the Commissioner decides on a balance of probabilities whether the financial institution committed the violation and, where appropriate, issues a Notice of Decision. The Notice of Decision describes any Administrative Monetary Penalty imposed. The Commissioner may also publicize the violation.

Opened case

A case opened in FCAC's tracking system between April 1 and March 31 of the reporting year.

Pending case

A compliance case still under investigation by FCAC as of March 31 of the reporting year.

Public Accountability Statement

A statement that each financial institution with $1 billion or more in equity is required by law to publish annually and file with the FCAC Commissioner. The statement describes the contributions made by the institution to Canada's economy or society.

Public commitment

A commitment adopted and made publicly by a financial institution (for example, on its Web site), designed to protect the interests of customers of that institution. FCAC monitors compliance by federally regulated financial institutions with their public commitments.

Self-reported complaint/ Reportable complaint

A complaint involving a consumer provision or an FCAC-targeted code of conduct or public commitment that has been received by or forwarded to the designated reportable level or higher level of a financial institution's complaint-handling process. FCAC's compliance framework requires federally regulated financial institutions to inform the Agency of any reportable complaint (as defined in the compliance framework).

Violation

The contravention of a consumer provision, as defined by the *Financial Consumer Agency of Canada Designated Violations Regulations*.

Withdrawn case

A case on which action has been discontinued, either because the consumer who lodged the complaint has withdrawn it or because the consumer did not respond to FCAC's attempts to contact him or her in order to obtain the facts necessary for continuing the investigation.

Appendix B
Consumer provisions and regulations

The *Financial Consumer Agency of Canada Act* identifies consumer provisions under the following legislation:

- the *Bank Act;*
- the *Insurance Companies Act;*
- the *Trust and Loan Companies Act;* and
- the *Cooperative Credit Associations Act.*

The following table highlights some of the legislated consumer provisions that the Agency administers, and the types of federally regulated financial institutions affected by each provision.

Consumer provisions administered by FCAC, and the institutions they affect

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirement to disclose interest and charges applicable to deposit accounts	X	X		X
Requirement to disclose the cost of borrowing	X	X	X	X
Requirement to have procedures for protecting customer information (no regulations in effect)	X	X	X	X
Requirement to open retail deposit accounts	X			
Requirement to provide notice that deposits are not insured when bank is not a member of CDIC	X			
Requirement to offer a standard low-cost account (not in effect) *Note: Instead of a regulatory approach to bring this provision into effect, eight financial institutions have voluntarily committed to providing a low-cost account within guidelines established by the government.*	X			
Within 14 days of opening a retail deposit account by telephone, consumer's right to close the account without charge	X	X		X
Prohibition on charging for cashing Government of Canada cheques	X	X		X
Obligation to cash Government of Canada cheques to a maximum of $1,500, as specified by regulation	X			
Requirement to provide notice before closing a retail branch	X	X		X
Requirement for each institution with equity of $1 billion or more to file a Public Accountability Statement	X	X	X	

Consumer provisions administered by FCAC, and the institutions they affect (continued)

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirement to set up complaint procedures and to file a copy of those procedures with FCAC	X	X	X	X
Requirement to join a separate complaints resolution organization		X	X	X
Restriction concerning coercive tied selling	X			
Requirements to disclose information to consumers in accordance with regulations (e.g. regulations on account charges, cheque holding policies)	X	X	X	X
Consumers' right to pre-pay loans	X	X	X	X
Requirement for an institution to provide information about FCAC when consumers have complaints about the institution's compliance with consumer provisions	X	X	X	X
Related matters	**Banks**	**Trust and loan companies**	**Insurance companies**	**Retail associations**
Requirement for FCAC to monitor industry codes of conduct and public commitments (e.g. codes dealing with debit cards or with small and medium-sized businesses)	X	X	X	X
Requirement for FCAC to report annually, in aggregate form, on the number and types of complaints brought to its attention	X	X	X	X
Requirement for institutions to provide information to the Commissioner as necessary	X	X	X	X
Requirement for annual compliance examination and reporting	X	X	X	X
Ability to enter into Compliance Agreements	X	X	X	X
Requirement to pay assessments for funding of FCAC	X	X	X	X
Ability to designate contraventions that are subject to administrative penalties	X	X	X	X

Status of consumer provisions and related regulations

as of March 31, 2008

Name of regulations	Status	Reference No.
Access to Basic Banking Services Regulations	in force	SOR/2003-184
Cheque Holding Policy Disclosure (Banks) Regulations	in force	SOR/2002-39
Complaint Information (Authorized Foreign Banks) Regulations	in force	SOR/2001-370
Complaint Information (Banks) Regulations	in force	SOR/2001-371
Complaint Information (Canadian Insurance Companies) Regulations	in force	SOR/2001-373
Complaint Information (Foreign Insurance Companies) Regulations	in force	SOR/2001-372
Complaint Information (Retail Associations) Regulations	in force	SOR/2001-374
Complaint Information (Trust and Loan Companies) Regulations	in force	SOR/2001-375
Cost of Borrowing (Authorized Foreign Banks) Regulations	in force	SOR/2002-262
Cost of Borrowing (Banks) Regulations	in force	SOR/2001-101
Cost of Borrowing (Canadian Insurance Companies) Regulations	in force	SOR/2001-102
Cost of Borrowing (Foreign Insurance Companies) Regulations	in force	SOR/2001-103
Cost of Borrowing (Retail Associations) Regulations	in force	SOR/2002-263
Cost of Borrowing (Trust and Loan Companies) Regulations	in force	SOR/2001-104
Disclosure of Charges (Authorized Foreign Banks) Regulations	in force	SOR/99-278
Disclosure of Charges (Banks) Regulations	in force	SOR/92-324
Disclosure of Charges (Retail Associations) Regulations	in force	SOR/2003-297
Disclosure of Interest (Authorized Foreign Banks) Regulations	in force	SOR/1999-272, as amended by SOR/2001-468
Disclosure of Interest (Banks) Regulations	in force	SOR/1992-321, as amended by SOR/2001-469
Disclosure of Interest (Retail Associations) Regulations	in force	SOR/2003-298
Disclosure of Interest (Trust and Loan Companies) Regulations	in force	SOR/1992-322, as amended by SOR/2001-470
Disclosure on Account Opening by Telephone Request (Authorized Foreign Banks) Regulations	in force	SOR/2001-471
Disclosure on Account Opening by Telephone Request (Banks) Regulations	in force	SOR/2001-472
Disclosure on Account Opening by Telephone Request (Retail Associations) Regulations	in force	SOR/2003-299
Disclosure on Account Opening by Telephone Request (Trust and Loan Companies) Regulations	in force	SOR/2001-473
Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations	in force	SOR/2001-474
Financial Consumer Agency of Canada Designated Violations Regulations	in force	SOR/2002-101
Index-linked Deposits Interest Disclosure Regulations	in force	SOR/2002-102
Notice of Branch Closure (Banks) Regulations	in force	SOR/2002-104, as amended by SOR/2003-70

Status of consumer provisions and related regulations (continued)

Name of regulations	Status	Reference No.
Notice of Branch Closure (Cooperative Credit Associations) Regulations	in force	SOR/2002-105, as amended by SOR/2003-70
Notice of Branch Closure (Trust and Loan Companies) Regulations	in force	SOR/2002-106, as amended by SOR/2003-70
Notices of Uninsured Deposits Regulations	in force	SOR/99-388, as amended by SOR/2002-338
Public Accountability Statements (Banks, Insurance Companies, Trust and Loan Companies) Regulations	in force	SOR/2002-133

Appendix C

Major codes of conduct and public commitments monitored by FCAC

Codes of conduct

Canadian Bankers Association (CBA) Code of Conduct for Authorized Insurance Activities
Outlines the banks' standards for branch employees to offer credit, travel and personal accident insurance. Deals with training, disclosure, promotion practices, customer privacy protection and customer redress.

Canadian Code of Practice for Consumer Debit Card Services ("debit card code")
Outlines industry practices and consumer/industry responsibilities. Designed to protect Canadian consumers who use debit card services.

Codes of Conduct for Bank Relations with Small and Medium-Sized Businesses
Each bank develops and applies its own code to the business activities it conducts with small and medium-sized enterprise (SME) customers. Every code includes the key elements of the CBA Model Code of Conduct, the minimum standard for banks dealing with SMEs.

Principles of Consumer Protection for Electronic Commerce: A Canadian Framework
Intended to guide the actions of businesses, consumers and governments in Canada to develop a consumer protection framework for electronic commerce over open networks, including the Internet.

Public commitments

Cheque Holds
Voluntary commitment by Canadian banks to reduce the maximum possible cheque hold period from 10 to 7 business days, and to further reduce the period to a maximum of 4 business days upon full implementation of electronic cheque imaging (expected by late

2009). Applies to cheques deposited by individual consumers to their personal deposit accounts, as well as cheques deposited to commercial accounts operated by small and medium-sized businesses.

Credit Cards
Several financial institutions have made formal commitments to protect consumers from the unauthorized use of credit cards. These commitments outline consumers' liability for fraudulent transactions.

Guidelines for the Transfer of Registered Plans
Explanation of the maximum time that banks may require to process transfers of deposit-type registered plans.

Low-Cost Accounts
Eight Canadian financial institutions have undertaken to offer accounts that meet guidelines set out by the federal government since February 2001, with the aim of ensuring that Canadians have access to affordable banking services.

On-Line Payments
Commitment to applying the principles and provisions of the Canadian Code of Practice for Consumer Debit Card Services as they apply to on-line payments made from customer deposit accounts. Reflects consumer and industry responsibilities related to the use of on-line payment systems in Canada.

Plain-Language Mortgage Documents
Reflect the banks' commitment to improving the understandability of residential mortgage documents.

Undertaking on Right of Rescission of Index-linked Deposits Purchased by Telephone
For telephone purchasers of index-linked deposits who have not received the required written statement prior to purchase, seven Canadian financial institutions have committed to allowing the opportunity to rescind the purchase within 48 hours from the actual or deemed receipt of such a statement, whichever is earlier.

Undertaking on Unsolicited Services
Six Canadian financial institutions have committed to implementing procedures designed to protect consumers when offering unsolicited services.